Iridium Communications Inc.
Form 10-Q
November 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended September 30, 2012

OR

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

Commission File Number 001-33963

Iridium Communications Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	26-1344998
(State of incorporation)	(I.R.S. Employer Identification No.)
1750 Tysons Boulevard, Suite 1400, McLean, Virginia	22102
(Address of principal executive offices)	(Zip code)

703-287-7400

(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

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

The number of shares of the registrant’s common stock, par value $0.001 per share, outstanding as of October 26, 2012 was 75,074,602.

IRIDIUM COMMUNICATIONS INC.

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PART I.

Iridium Communications Inc.

Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	September 30, 2012 (Unaudited)	December 31, 2011 (Restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 189,399	$ 136,366
Accounts receivable, net	54,734	57,418
Inventory	24,284	15,077
Deferred tax assets, net	9,435	9,435
Income tax receivable	4,335	4,330
Prepaid expenses and other current assets	5,564	4,616
Total current assets	287,751	227,242
Property and equipment, net	1,010,418	843,092
Restricted cash	54,216	27,154
Other assets	515	584
Intangible assets, net	73,765	83,552
Deferred financing costs	115,321	105,523
Goodwill	87,039	87,039
Total assets	$ 1,629,025	$ 1,374,186
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 13,759	$ 24,816
Accrued expenses and other current liabilities	32,094	29,791
Interest payable	11,317	5,838
Deferred revenue	41,225	35,445
Total current liabilities	98,395	95,890
Accrued satellite operations and maintenance expense, net of current portion	18,061	19,065
Credit facility	588,938	417,133
Deferred tax liabilities, net	144,655	126,546
Other long-term liabilities	14,053	13,534
Total liabilities	864,102	672,168
Commitments and contingencies		
Stockholders' equity		

Preferred stock, $0.0001 par value, 2,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.001 par value, 300,000 shares authorized, 75,073 shares issued and outstanding at September 30, 2012, and 73,205 shares issued and outstanding at December 31, 2011	75	73
Additional paid-in capital	696,844	681,781
Retained earnings	68,309	20,389
Accumulated other comprehensive loss, net of taxes	(305)	(225)
Total stockholders' equity	764,923	702,018
Total liabilities and stockholders' equity	$ 1,629,025	$ 1,374,186

See notes to unaudited condensed consolidated financial statements

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Iridium Communications Inc.

Condensed Consolidated Statements of Operations and Comprehensive Income

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011 (Restated)	2012	2011 (Restated)
Revenue:				
Services	$ 71,403	$ 69,361	$ 206,736	$ 195,687
Subscriber equipment	26,371	25,909	71,825	72,232
Engineering and support services	2,667	6,854	12,675	21,411
Total revenue	100,441	102,124	291,236	289,330
Operating expenses:				
Cost of services (exclusive of depreciation and amortization)	14,000	17,770	47,991	54,467
Cost of subscriber equipment	14,194	13,793	40,828	38,900
Research and development	3,623	3,122	12,741	10,769
Selling, general and administrative	16,452	16,457	52,570	50,173
Depreciation and amortization	20,484	26,784	63,056	73,779
Total operating expenses	68,753	77,926	217,186	228,088
Operating income	31,688	24,198	74,050	61,242
Other income (expense):				
Interest income, net	399	278	588	825
Undrawn credit facility fees	(2,488)	(3,063)	(7,849)	(9,566)
Other expense, net	(67)	(18)	(6)	(59)
Total other expense	(2,156)	(2,803)	(7,267)	(8,800)
Income before income taxes	29,532	21,395	66,783	52,442
Provision for income taxes	(11,693)	(9,382)	(18,863)	(19,824)
Net income	17,839	12,013	47,920	32,618
Foreign currency translation adjustments	5	(375)	(80)	(205)
Comprehensive income	$ 17,844	$ 11,638	$ 47,840	$ 32,413
Weighted average shares outstanding - basic	74,376	73,354	73,738	71,755
Weighted average shares outstanding - diluted	76,131	74,558	75,886	73,651
Net income per share - basic	$ 0.24	$ 0.16	$ 0.65	$ 0.45
Net income per share - diluted	$ 0.23	$ 0.16	$ 0.63	$ 0.44

See notes to unaudited condensed consolidated financial statements

Iridium Communications Inc.

Condensed Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
Cash flows from operating activities:		
Net cash provided by operating activities	$ 132,715	$ 131,923
Cash flows from investing activities:		
Capital expenditures	(221,343)	(240,344)
Net cash used in investing activities	(221,343)	(240,344)
Cash flows from financing activities:		
Borrowings under credit facility	171,805	190,170
Payment of deferred financing fees	(11,980)	(27,643)
Cash restricted for debt service reserve	(27,062)	(27,023)
Proceeds from exercise of stock options and warrants	9,143	41
Payment of offering costs	(245)	-
Repayment of note payable	-	(22,223)
Net cash provided by financing activities	141,661	113,322
Net increase in cash and cash equivalents	53,033	4,901
Cash and cash equivalents, beginning of period	136,366	119,932
Cash and cash equivalents, end of period	$ 189,399	$ 124,833
Supplemental cash flow information:		
Interest paid	$ 2,907	$ 4,908
Income taxes paid (refunded)	$ 351	$ (3,940)
Supplemental disclosure of non-cash investing activities:		
Property and equipment received but not paid for yet	$ 2,821	$ 2,465
Interest capitalized but not paid	$ 13,499	$ 5,387
Stock-based compensation capitalized	$ 547	$ 290

See notes to unaudited condensed consolidated financial statements

Iridium Communications Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Basis of Presentation

Iridium Communications Inc. (the "Company") was initially formed in 2007 as GHL Acquisition Corp., a special purpose acquisition company. The Company acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC in a transaction accounted for as a business combination on September 29, 2009 (the "Acquisition"). In accounting for the Acquisition, the Company was deemed the legal and accounting acquirer. On September 29, 2009, as a result of the Acquisition, the Company changed its name to Iridium Communications Inc.

The Company is a provider of mobile voice and data communications services on a global basis using a constellation of low-earth orbiting satellites. The Company holds various licenses and authorizations from the U.S. Federal Communications Commission (the "FCC") and from foreign regulatory bodies that permit the Company to conduct its business, including the operation of its satellite constellation.

2. Significant Accounting Policies and Error Corrections

Principles of Consolidation

The Company has prepared its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The accompanying condensed consolidated financial statements include the accounts of (i) the Company, (ii) its wholly owned subsidiaries, and (iii) all less than wholly owned subsidiaries that the Company controls. All material intercompany transactions and balances have been eliminated.

In the opinion of management, the condensed consolidated financial statements reflect all normal recurring adjustments that the Company considers necessary for the fair presentation of its results of operations and cash flows for the interim periods covered, and of the financial position of the Company at the date of the interim condensed consolidated balance sheet. The operating results for interim periods are not necessarily indicative of the operating results for the entire year. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to instructions, rules and regulations prescribed by the U.S. Securities and Exchange Commission ("SEC"). While the Company believes that the disclosures are adequate to make the information not misleading, these interim condensed consolidated financial

statements should be read in conjunction with the 2011 annual consolidated financial statements and notes included in its Form 10-K filed with the SEC on March 6, 2012.

Correction of Errors

The Company has determined that its financial statements and related disclosures as of and for each of the years ended December 31, 2009, 2010 and 2011, the quarter ended December 31, 2009 and each of the quarters in the years ended December 31, 2010 and 2011 (the “Previously Issued Financial Statements”) should be restated because they contained certain errors. Accordingly, the Previously Issued Financial Statements should not be relied upon. The errors were determined to have a material effect on certain of the Company’s annual consolidated financial statements and certain quarterly periods, and accordingly the Company has determined that it will restate these consolidated financial statements to correct the errors. The Company intends to restate the Previously Issued Financial Statements to correct these errors by amending its Annual Report on Form 10-K for the year ended December 31, 2011 subsequent to the filing of this report.

The errors in the Previously Issued Financial Statements pertained to certain components of the Company’s provision for income taxes related to a non-operating foreign subsidiary and the recognition of expense related to the fee for the undrawn portion of the Credit Facility during the incorrect period. The impact of the errors had no impact on the Company’s consolidated cash balances as of any period.

The Company’s Condensed Consolidated Balance Sheet as of December 31, 2011 and Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2011 included herein have been restated to correct these errors. The cumulative effect of the errors on retained earnings at January 1, 2011 of $0.6 million has also been reflected in the accompanying financial statements. The correction of the identified errors, which were non-cash in nature, had no net impact on the total cash provided by operating activities for the nine months ended September 30, 2011 because the correction of the errors had offsetting effects on net income and the change in working capital in the period. As a result, the Statement of Cash Flows for the nine months ended September 30, 2011 did not require restatement. Details of the impact of the restatement and a reconciliation of the restated amounts to the previously reported financial statements are provided below.

The following errors have been corrected:

- The impact on the Company's provision for income taxes related to deferred income taxes of a non-operating foreign subsidiary which were not reflected properly in the Company's income tax provision calculation, resulting in a $0.7 million overstatement of the Company's provision for income taxes for the three and nine months ended September 30, 2011.
- The expense for the fee associated with the undrawn balance of the Company's Credit Facility was not properly recorded on the appropriate effective date in accordance with the terms of the agreement, resulting in an overstatement of our undrawn credit facility fee expense of $1.0 million for the nine months ended September 30, 2011 and a corresponding a $0.4 million understatement in the Company's provision for income taxes for the same period.

The effects on the Company's previously issued Consolidated Balance Sheet as of December 31, 2011 and our Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2011 are as follows:

Condensed Consolidated Balance Sheet (in thousands)

	As of December 31, 2011 As Filed	Adjustments	As of December 31, 2011 Restated
Assets			
Total assets	$ 1,374,186	$ -	$ 1,374,186
Liabilities and stockholders' equity			
Deferred tax liabilities, net	$ 127,297	$ (751)	$ 126,546
Total liabilities	$ 672,919	$ (751)	$ 672,168
Retained earnings	$ 19,638	$ 751	$ 20,389
Total stockholders' equity	$ 701,267	$ 751	$ 702,018
Total liabilities and stockholders' equity	$ 1,374,186	$ -	$ 1,374,186

Condensed Consolidated Statements of Operations and Comprehensive Income (in thousands except per share data):

	Three Months Ended September 30, 2011 As Filed	Adjustments	Three Months Ended September 30, 2011 Restated

Total revenue	$ 102,124	$ -	$ 102,124
Total operating income	$ 24,198	$ -	$ 24,198
Total other income (expense)	$ (2,803)	$ -	$ (2,803)
Income before income taxes	$ 21,395	$ -	$ 21,395
Provision for income taxes	$ (10,058)	$ 676	$ (9,382)
Net income	$ 11,337	$ 676	$ 12,013
Comprehensive income	$ 10,962	$ 676	$ 11,638
Net income per share - basic	$ 0.15	$ 0.01	$ 0.16
Net income per share - diluted	$ 0.15	$ 0.01	$ 0.16

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	Nine Months Ended September 30, 2011 As Filed	Adjustments	Nine Months Ended September 30, 2011 Restated
Total revenue	$ 289,330	$ -	$ 289,330
Total operating income	$ 61,242	$ -	$ 61,242
Other income (expense)	$ (9,800)	$ 1,000	$ (8,800)
Income before income taxes	$ 51,442	$ 1,000	$ 52,442
Provision for income taxes	$ (20,123)	$ 299	$ (19,824)
Net income	$ 31,319	$ 1,299	$ 32,618
Comprehensive income	$ 31,114	$ 1,299	$ 32,413
Net income per share - basic	$ 0.44	$ 0.01	$ 0.45
Net income per share - diluted	$ 0.42	$ 0.02	$ 0.44

Condensed Consolidated Statement of Cash Flows

The Company determined that the errors had no net impact on the previously filed Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2011. The impact of the errors on net income and the corresponding impact on working capital resulted in no net change in the cash provided by operating activities as presented on the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2011.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash and cash equivalents balances at September 30, 2012 and December 31, 2011 consisted of cash deposited in institutional money market funds, regular interest bearing and non-interest bearing depository accounts and certificates of deposit with commercial banks. The Company is required to maintain a minimum cash reserve for debt service related to the $1.8 billion loan facility (the “Credit Facility”). As of September 30, 2012 and December 31, 2011, the Company’s restricted cash balance, which represents a minimum cash reserve for debt service related to the Credit Facility and the interest earned on these amounts, was $54.2 million and $27.2 million, respectively.

Depreciation Expense

The Company calculates depreciation expense using the straight-line method and evaluates the appropriateness of the useful life used in this calculation on a quarterly basis. During the second quarter of 2012, the Company updated its

analysis of the current satellite constellation's health and remaining useful life. Based on the results of this analysis, the Company estimates that its current constellation of satellites will be operational for longer than previously expected. As a result, the estimated useful life of the current constellation has been extended and is also consistent with the expected deployment of the Company's next-generation satellite constellation ("Iridium NEXT"). This change in estimated useful life resulted in a decrease in depreciation expense compared to the prior-year periods. The change in accounting estimate reduced the depreciation expense by $6.5 million and $13.1 million for the three and nine months ended September 30, 2012, respectively. For the three months ended September 30, 2012, the reduction in depreciation expense increased basic and diluted net income per share by $0.05. For the nine months ended September 30, 2012, the reduction in depreciation expense increased basic and diluted net income per share by $0.12. During the third quarter of 2012, the Company lost communication with one of its in-orbit satellites. As a result, a $2.0 million impairment charge was recorded within depreciation expense during the third quarter of 2012. The Company will continue to evaluate the useful life of its current constellation of satellites on an ongoing basis through full deployment and activation of Iridium NEXT.

Fair Value Measurements

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S. GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value.

The fair values of short-term financial instruments (primarily cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued expenses and other liabilities, and deferred revenue) approximated their carrying values as of the dates of the accompanying condensed consolidated balance sheets because of their short-term nature.

Stock-Based Compensation

The Company accounts for stock-based compensation at fair value. The fair value of stock options is determined at the grant date using the Black-Scholes option pricing model. The fair value of restricted stock units ("RSUs") is equal to the closing price of the underlying common stock on the grant date. The fair value of an award that is ultimately expected to vest is recognized on a straight-line basis over the requisite service or performance period and is classified in the statement of operations in a manner consistent with the classification of the employee's or non-employee director's compensation. Stock-based awards to non-employee consultants are expensed at their fair value as services are provided according to the terms of their agreements and are classified in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations and comprehensive income.

Warranty Expense

The Company provides the first end-user purchaser of its subscriber equipment a warranty for one to five years from the date of purchase by such first end-user, depending on the product. The Company maintains a warranty reserve based on historical experience of warranty costs and expected occurrences of warranty claims on equipment. Costs associated with warranties, including equipment replacements, repairs, freight, and program administration, are recorded as cost of subscriber equipment in the accompanying condensed consolidated statements of operations and comprehensive income. During the nine months ended September 30, 2012, certain production issues were identified related to the Iridium Extreme® satellite handset. A reserve for the remediation of these issues contributed $1.2 million to the warranty provision during the nine months ended September 30, 2012. Changes in the warranty reserve during the nine months ended September 30, 2012 were as follows:

	Nine Months Ended September 30, 2012 (in thousands)	
Balance at beginning of the period	$	4,101
Provision		3,439
Utilization		(2,964)
Balance at end of the period	$	4,576

3. Commitments and Contingencies

Commitments

Thales

In June 2010, the Company executed a primarily fixed-price full-scale development contract (the “FSD”) with Thales Alenia Space France (“Thales”) for the design and build of satellites for Iridium NEXT. The total price under the FSD is $2.2 billion, and the Company expects payment obligations under the FSD to extend into the third quarter of 2017. As of September 30, 2012, the Company had made aggregate payments of $634.5 million to Thales, which were capitalized as construction in progress within property and equipment, net in the accompanying condensed consolidated balance sheet.

SpaceX

In March 2010, the Company entered into an agreement with Space Exploration Technologies Corp. (“SpaceX”) to secure SpaceX as the primary launch services provider for Iridium NEXT (the “SpaceX Agreement”). As of September 30, 2012, the Company had made aggregate payments of $43.9 million to SpaceX, which were capitalized as construction in progress within property and equipment, net in the accompanying condensed consolidated balance sheet.

In August 2012, the Company entered into an amendment to the SpaceX Agreement (the “SpaceX Amendment”). The SpaceX Amendment reduced the number of contracted launches and increased the number of satellites to be carried on each launch vehicle. The SpaceX Amendment also reduced the maximum price under the SpaceX Agreement from $492.0 million to $453.1 million. The Company's obligations to SpaceX under the SpaceX Amendment for the three months ending December 31, 2012 and the years ending December 31, 2013, 2014, 2015, 2016 and 2017 are $21.2 million, $4.6 million, $83.5 million, $169.1 million, $109.0 million and $21.8 million, respectively.

Kosmotras

In June 2011, the Company entered into an agreement with International Space Company Kosmotras (“Kosmotras”) as a supplemental launch service provider for Iridium NEXT (the “Kosmotras Agreement”). The Kosmotras Agreement provides for the purchase of up to six launches with options to purchase additional launches. Each launch can carry two satellites. If all six launches are purchased, the Company will pay Kosmotras a total of $184.3 million. As of September 30, 2012, the Company had made aggregate payments of $11.2 million to Kosmotras, which were capitalized as construction in progress within property and equipment, net in the accompanying condensed consolidated balance sheet. If the Company elects to purchase all six launches, the remaining amounts owed under the contract will be paid through 2015 or 2016, depending on the launch schedule.

Based on the terms of the Kosmotras Agreement, if the Company does not purchase any launches by March 31, 2013, the Kosmotras Agreement will terminate and any amounts paid by the Company to Kosmotras in excess of $15.1 million will be refunded.

Harris

In June 2012, Aireon LLC (“Aireon”), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Harris Corporation for the design, development and production of the payload for each of the planned Iridium NEXT satellites (the “Harris Agreement”). The Harris Agreement does not provide for any guarantee of payment by Iridium Communications Inc. or Iridium Satellite LLC, but the Company intends to make available an injection into Aireon of up to $10 million worth of airtime credits to be used to satisfy a portion of the payments to be made by Aireon under the Harris Agreement in the event that Aireon cannot make such payments. Aireon’s obligations to Harris Corporation under the Harris Agreement for the three months ending December 31, 2012 and the years ending December 31, 2013, 2014, 2015, 2016 and 2017 are $9.5 million, $27.5 million, $49.0 million, $20.9 million, $6.2 million and $1.6 million, respectively.

Credit Facility

In October 2010, the Company entered into a $1.8 billion loan facility (the “Credit Facility”) with a syndicate of bank lenders (the “Lenders”). The Company had borrowed an aggregate total of $588.9 million as of September 30, 2012. The unused portion of the Credit Facility as of September 30, 2012 was $1.2 billion. Pursuant to the Credit Facility, the Company maintains a minimum cash reserve for repayment. As of September 30, 2012, the minimum required cash reserve balance was $54.0 million. This amount is included in restricted cash in the accompanying condensed consolidated balance sheet. This minimum cash reserve requirement will increase over the term of the Credit Facility and will be $189.0 million at the beginning of the repayment period, which is expected to begin in 2017.

Interest costs incurred under the Credit Facility were $6.9 million and $18.0 million for the three and nine months ended September 30, 2012, respectively. All interest costs incurred related to the Credit Facility have been capitalized during the construction period of the Iridium NEXT assets. The Company pays interest on each semi-annual due date through a combination of a cash payment and a deemed additional loan. The $18.0 million in interest incurred during the nine months ended September 30, 2012 consisted of $5.4 million payable in cash, of which $2.0 million was paid during the period and $3.4 million was accrued at period-end, and $12.6 million payable by deemed loans, of which $4.7 million was paid during the period and $7.9 million was accrued at period-end. The $6.9 million in interest incurred during the three months ended September 30, 2012 consisted of $2.1 million payable in cash and $4.8 million payable by deemed loans; no payments were made during the quarter. Total interest payable associated with the Credit Facility was $11.3 million and is included in interest payable in the accompanying condensed consolidated balance sheet as of September 30, 2012.

The Company also pays a commitment fee of 0.80% per year, in semi-annual installments, on any undrawn portion of the Credit Facility. The total commitment fee payable on the undrawn portion of the Credit Facility was $4.9 million and is included in accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheet as of September 30, 2012.

In August 2012, the Company entered into a supplemental agreement (the “Supplemental Agreement”) with the Lenders under the Credit Facility, to amend and restate the Credit Facility. The Credit Facility, as amended by the Supplemental Agreement, authorizes the Company to fund and operate Aireon for the purpose of establishing a space-based Automatic Dependent Surveillance-Broadcast business. Specifically, the amended Credit Facility excludes Aireon from the group of companies (Iridium Communications Inc. and its material subsidiaries) that are obligors under the Credit Facility and from the Company’s consolidated financial results for purposes of calculating compliance with the financial covenants. The amended Credit Facility allows the Company to make a $12.5 million investment in Aireon, the injection of up to $10 million worth of airtime credits in connection with the Harris Agreement described above, if needed, and an additional investment of up to $15 million raised from issuances of the Company’s common equity. The amended Credit Facility requires the Company to use any net distributions received from Aireon to repay its debt obligations under the Credit Facility and to grant the Lenders a security interest in the Company’s ownership interest in Aireon. The Supplemental Agreement does not modify the principal amount, interest rates, repayment dates, or maturity of the Credit Facility. The amended Credit Facility includes revised financial covenant levels to reflect changes in timing of expected receipts of cash flows from secondary payloads and other changing business conditions and revised launch and backup launch requirements to permit the amendment to the Company’s launch services agreement with SpaceX. The amended Credit Facility required the Company to raise $100 million through a combination of the issuance of convertible preferred or common equity and warrant exercises by April 30, 2013. The Company satisfied this requirement primarily through the sale of its 7.00% Series A Cumulative Convertible Preferred Stock for net proceeds of $96.7 million. During the three months ended September 30, 2012, the Company also received $9.1 million from the exercise of warrants to purchase its common stock at an exercise price of $7.00 per share.

Contingencies

From time to time, in the normal course of business, the Company is party to various pending claims and lawsuits. The Company is not aware of any such actions that it would expect to have a material adverse impact on its business, financial results or financial condition.

4. Stock-Based Compensation

During 2009, the Company’s stockholders approved a stock incentive plan (the “2009 Stock Incentive Plan”) to provide stock-based awards, including nonqualified stock options, incentive stock options, restricted stock and other equity securities, as incentives and rewards for employees, consultants and non-employee directors. As of December 31, 2011, 8.0 million shares of common stock were authorized for issuance as awards under the 2009 Stock Incentive Plan. In May 2012, the Company’s stockholders approved a new stock incentive plan (the “2012 Stock Incentive Plan”). The 2012 Stock Incentive Plan is the successor to and continuation of the 2009 Stock Incentive Plan. Following the adoption of the 2012 Stock Incentive Plan, no additional stock awards may be granted under the 2009 Stock Incentive Plan. The aggregate number of shares of common stock initially authorized for issuance under the 2012 Stock Incentive Plan is 13,416,019 shares, which represents the sum of (A) 5,423,206 newly authorized shares, plus (B) the number of shares available for issuance under the 2009 Stock Incentive Plan prior to adoption of the 2012 Stock

Incentive Plan, in an amount not to exceed 1,576,794 shares, plus (C) up to 6,416,019 shares subject to grants made for issuance under the 2009 Stock Incentive Plan that may become available for issuance under the 2012 Stock Incentive Plan from time to time as a result of expiration or termination of outstanding awards under the 2009 Stock Incentive Plan prior to exercise or vesting.

Non-employee directors elected to receive a portion of their 2012 annual compensation in the form of equity awards, in an aggregate amount of approximately 106,000 stock options and 106,000 RSUs. These stock options and RSUs were granted in January 2012 and vest over the remainder of 2012 with 25% vesting on the last day of each calendar quarter. The estimated aggregate grant-date fair value of the stock options was $0.3 million. The estimated aggregate grant-date fair value of the RSUs was $0.8 million.

During the three months ended September 30, 2012, the Company granted approximately 153,000 stock options to its employees. During the nine months ended September 30, 2012, the Company granted approximately 899,000 stock options, 570,000 service-based RSUs, and 234,000 performance-based RSUs to its employees. Employee stock options and service-based RSUs generally vest over a four-year service period with 25% vesting on the first anniversary of the grant date and the remainder vesting ratably on a quarterly basis thereafter. The performance-based RSUs were awarded to the Company’s executives. Vesting of the performance-based RSUs is dependent upon the Company’s achievement of certain performance goals over a two-year measurement period. The number of performance-based RSUs that will ultimately vest may range from 0% to 150% of the original grant based on the level of achievement of the performance goals. Provided that the Company achieves the performance goals, 50% of the RSU awards will vest after two years and the remaining 50% after the third year. The Company records stock-based compensation expense related to performance-based RSUs when it is considered probable that the performance conditions will be met. The estimated aggregate grant-date fair values of the stock options granted to employees during the three months ended September 30, 2012 was $0.5 million. The estimated aggregate grant-date fair values of the stock options, service-based RSUs, and performance-based RSUs granted to employees during the nine months ended September 30, 2012 were $3.0 million, $4.3 million, and $1.8 million, respectively.

During the nine months ended September 30, 2012, the Company granted approximately 75,000 stock options to consultants. The consultant options vest over a two-year period with ratable quarterly vesting. The aggregate estimated grant-date fair value of the consultant stock options was approximately $0.3 million.

During the three months ended September 30, 2012, the Company granted approximately 167,000 stock appreciation rights ("SARs") to non-employee contractors. The SARs vest over a four-year service period with 25% vesting on the first anniversary of the grant date and the remainder vesting ratably on a quarterly basis thereafter. The aggregate estimated grant-date fair value of the contractor SARs was approximately $0.5 million.

5. Equity Transactions

Warrant Activity

During the three and nine months ended September 30, 2012, the Company issued 1,300,000 shares of common stock resulting from the exercise of 1,300,000 warrants to purchase its common stock at an exercise price of $7.00 per share (the "$7.00 Warrants"). The Company received proceeds of $9.1 million as a result of these warrant exercises.

Private Warrant Exchanges

During 2011, the Company entered into several private transactions to exchange shares of its common stock for outstanding warrants to purchase its common stock at an exercise price of $11.50 per share (the "$11.50 Warrants"). As a result of these transactions, the Company issued an aggregate of 1,643,453 shares of its common stock in exchange for an aggregate of 8,167,541 of the $11.50 Warrants.

In September 2012, the Company entered into privately negotiated warrant exchange agreements with the largest holder of the outstanding $7.00 Warrants. Pursuant to these agreements, the Company issued 562,370 new shares of its common stock in exchange for 3,374,220 of the $7.00 Warrants (equivalent to approximately 0.1667 common shares for every $7.00 Warrant tendered), representing approximately 27% of the outstanding $7.00 Warrants. Following these private warrant exchanges, the Company had 8,979,434 outstanding $7.00 Warrants as of September 30, 2012, including 632,726 that are included as part of units that were issued in connection with the formation of the Company in 2007. Each unit consists of one share of common stock and one $7.00 Warrant.

Warrant Exchange Tender Offers

During 2011, the Company initiated and completed a tender offer to exchange outstanding $11.50 Warrants for shares of its common stock (the "2011 Tender Offer"). As a result of the 2011 Tender Offer, the Company issued an aggregate of 1,303,267 shares of its common stock in exchange for an aggregate of 5,923,963 of the $11.50 Warrants. As of September 30, 2012, 277,021 of the $11.50 Warrants remained outstanding.

On October 2, 2012, the Company initiated a tender offer to exchange outstanding $7.00 Warrants for shares of its own common stock (the "2012 Tender Offer"). The Company offered holders of its $7.00 Warrants one share of common stock for every six of the $7.00 Warrants tendered (equivalent to approximately 0.1667 common shares for every $7.00 Warrant tendered). The offer period ends on November 6, 2012.

Private Offering

On October 3, 2012, the Company issued 1,000,000 shares of its 7.00% Series A Cumulative Convertible Perpetual Preferred Stock (the "Series A Preferred Stock") in a private offering. The purchase price, equal to $96.85 per share, reflected an aggregate initial purchaser discount of $3.2 million. The Company received proceeds of $96.7 million from the sale of the Series A Preferred Stock in October 2012 which were net of the $3.3 million initial purchaser discount and offering costs. The Company intends to use the net proceeds of the private offering to help fund the construction and deployment of Iridium NEXT and for other general corporate purposes. The settlement date of the private offering was October 3, 2012.

Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends at a rate of 7.00% per annum of the $100 liquidation preference per share (equivalent to an annual rate of $7.00 per share). Dividends will be payable quarterly in arrears, beginning on December 15, 2012. The Series A Preferred Stock do not have a stated maturity date and are not subject to any sinking fund or mandatory redemption provisions. The Series A Preferred Stock will rank senior to the Company's common stock with respect to dividend rights and rights upon the Company's liquidation, dissolution or winding-up. Holders of Series A Preferred Stock will generally have no voting rights except for limited voting rights if the Company fails to pay dividends for six or more quarterly periods (whether or not consecutive) and in other specified circumstances. Holders of Series A Preferred Stock may convert some or all of their outstanding Series A Preferred Stock initially at a conversion rate of 10.6022 shares of common stock per $100 liquidation preference, which is equivalent to an initial conversion price of approximately $9.43 per share of common stock (subject to adjustment in certain events). Except as otherwise provided, the Series A Preferred Stock will be convertible only into shares of the Company's common stock.

On or after October 3, 2017, the Company may, at its option, convert some or all of the Series A Preferred Stock into that number of shares of common stock that are issuable at the then-applicable conversion rate, subject to specified conditions. On or prior to October 3, 2017, the holders of Series A Preferred Stock will have a special right to convert some or all of the Series A Preferred Stock into shares of common stock in the event of fundamental changes described in the Certificate of Designations for the Series A Preferred Stock, subject to specified conditions and limitations. In certain circumstances, the Company may also elect to settle conversions in cash as a result of these fundamental changes.

6. Net Income Per Share

The computations of basic and diluted net income per share are set forth below. The correction of errors in the reported results for the three and nine months ended September 30, 2011 resulted in restated net income for those periods. The correction of these errors did not affect any other components in the calculation of net income per share.

	Three Months Ended September 30,	
	2012	2011 (Restated)
	(in thousands, except per share data)	
Numerator:		
Net income	$ 17,839	$ 12,013
Net income allocated to participating securities	(11)	(6)
Numerator for basic and diluted net income per share	$ 17,828	$ 12,007
Denominator:		
Denominator for basic net income per share - weighted average outstanding common shares	74,376	73,354
Dilutive effect of stock options	1	-
Dilutive effect of contingently issuable shares	23	-
Dilutive effect of warrants	1,731	1,204
Denominator for diluted net income per share	76,131	74,558
Net income per share - basic	$ 0.24	$ 0.16
Net income per share - diluted	$ 0.23	$ 0.16

	Nine Months Ended September 30,	
	2012	2011 (Restated)
	(in thousands, except per share data)	
Numerator:		
Net income	$ 47,920	$ 32,618
Net income allocated to participating securities	(47)	(28)
Numerator for basic and diluted net income per share	$ 47,873	$ 32,590
Denominator:		
Denominator for basic net income per share - weighted average outstanding common shares	73,738	71,755
Dilutive effect of stock options	8	1
Dilutive effect of contingently issuable shares	48	-
Dilutive effect of warrants	2,092	1,895
Denominator for diluted net income per share	75,886	73,651
Net income per share - basic	$ 0.65	$ 0.45
Net income per share - diluted	$ 0.63	$ 0.44

For the three months ended September 30, 2012, warrants to purchase 0.3 million shares of common stock, stock options to purchase 4.3 million shares of common stock and 0.6 million unvested RSUs were not included in the computation of diluted net income per share as the effect would be anti-dilutive.

For the nine months ended September 30, 2012, warrants to purchase 0.3 million shares of common stock, stock options to purchase 4.1 million shares of common stock and 0.5 million unvested RSUs were not included in the computation of diluted net income per share as the effect would be anti-dilutive.

For the three and nine months ended September 30, 2011, warrants to purchase 0.3 million shares of common stock and stock options to purchase 4.5 million shares of common stock were not included in the computation of diluted net income per share as the effect would be anti-dilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed on March 6, 2012 with the Securities and Exchange Commission, or the SEC, as well as our condensed consolidated financial statements included in this Form 10-Q.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingencies, goals, targets or future development or otherwise are not statements of historical fact. Without limiting the foregoing, the words "believe," "anticipate," "plan," "expect," "intend" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events, and they are subject to risks and uncertainties, known and unknown, that could cause actual results and developments to differ materially from those expressed or implied in such statements. The important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on March 6, 2012, and in this Form 10-Q, could cause actual results to differ materially from those indicated by forward-looking statements made herein. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Background

We were initially formed in 2007 as GHL Acquisition Corp., a special purpose acquisition company. We acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC, or Iridium Holdings, in a transaction accounted for as a business combination on September 29, 2009. We refer to this transaction as the Acquisition. We refer to Iridium Holdings, together with its direct and indirect subsidiaries, as Iridium. In accounting for the Acquisition, we were deemed the legal and accounting acquirer and Iridium the legal and accounting acquiree. On September 29, 2009, as a result of the Acquisition, we changed our name to Iridium Communications Inc.

Overview of Our Business

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

natural disasters.

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

We sell our products and services to commercial end-users through a wholesale distribution network, encompassing 72 service providers, 177 value-added resellers, or VARs, and 53 value-added manufacturers, who either sell directly to the end-user or indirectly through other service providers, VARs or dealers. These distributors often integrate our products and services with other complementary hardware and software and have developed a broad suite of applications for our products and services targeting specific vertical markets.

At September 30, 2012, we had approximately 595,000 billable subscribers worldwide, an increase of 17% from approximately 508,000 billable subscribers at September 30, 2011. We have a diverse customer base, with end-users in the following key business areas: land-based handset; maritime; aviation; machine-to-machine, or M2M; and government.

We expect a higher proportion of our future revenue will be derived from service revenue than in the past. Revenues from providing voice and data service historically have generated higher gross margins than sales of subscriber equipment.

We are currently devoting a substantial part of our resources to develop Iridium NEXT, our next-generation satellite constellation, and on hardware and software upgrades to our ground infrastructure in preparation for Iridium NEXT, the development of new product and service offerings, upgrades to our current services, and upgrades to our information technology systems. We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades through 2017 to be approximately $3 billion. We believe our $1.8 billion loan facility, or the Credit Facility, together with internally generated cash flows, including cash flows from hosted payloads and proceeds from our recent sale of convertible preferred stock, will be sufficient to fully fund the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades through early 2017. As of October 31, 2012, we had borrowed a total of $598.9 million under the Credit Facility. For more information about our sources of funding, refer to “Liquidity and Capital Resources.”

Recent Developments

Amendment of Credit Facility

In August 2012, we entered into a supplemental agreement, or the Supplemental Agreement, with the syndicate of bank lenders, or the Lenders, under the Credit Facility. The Supplemental Agreement amended and restated the Credit Facility. The Supplemental Agreement authorizes us to fund and operate Aireon for the purpose of establishing a space-based automatic dependent surveillance-broadcast, or ADS-B, business for global aviation monitoring. Specifically, the Supplemental Agreement excludes Aireon from the group of companies (we and our material subsidiaries) that are obligors under the Credit Facility and from our consolidated financial results for purposes of calculating compliance with the financial covenants. The Supplemental Agreement allows us to make a $12.5 million investment in Aireon, the injection of up to $10 million worth of airtime credits into Aireon as provided for in Aireon’s agreement with Harris Corporation to build the ADS-B system payloads, if needed, and an additional investment of up to $15 million raised from issuances of our common equity. The Supplemental Agreement requires us to use any net distributions that we receive from Aireon to repay the debt under the Credit Facility and to issue the Lenders a security interest in our ownership interest in Aireon.

The Supplemental Agreement also includes revised financial covenant levels to reflect changes in timing of expected receipts of cash flows from secondary payloads and other changing business conditions and revised launch and backup launch requirements consistent with the amendment to our launch services agreement with Space Exploration Technologies Corp., or SpaceX, described below. The amendment to the Credit Facility does not modify the principal amount, interest rates, repayment dates, or maturity of the Credit Facility. The Supplemental Agreement required us to raise $100 million through a combination of the issuance of convertible preferred or common equity and warrant exercises by April 30, 2013. We satisfied this requirement primarily through the sale of our 7.00% Series A Cumulative Convertible Preferred Stock, or Series A Preferred Stock, as described below. We also received $9.1 million from the exercise of warrants during the three months ended September 30, 2012.

SpaceX

Effective in August 2012, we entered into an amendment to our launch services agreement with SpaceX. The amendment reduced the number of contracted launches and increased the number of satellites to be carried on each launch vehicle. The amendment also reduced the maximum price under the original SpaceX agreement from $492.0 million to $453.1 million.

Private Placement of Series A Convertible Preferred Stock

On October 3, 2012, we issued 1,000,000 shares of our Series A Preferred Stock in a private offering. The sale price to the initial purchaser, equal to $96.85 per share, reflected an aggregate initial purchaser discount of $3.2 million. Upon settlement of the private offering in October 2012, we received proceeds of $96.7 million, which were net of the $3.2 million initial purchaser discount and $0.2 million of offering costs. We intend to use the net proceeds of the private offering to help fund the construction and deployment of Iridium NEXT and for other general corporate purposes.

Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends when, as and if declared from, and including, the date of original issue at a rate of 7.00% per annum of the $100 liquidation preference per share (equivalent to an annual rate of $7.00 per share). Dividends will be payable quarterly in arrears, beginning on December 15, 2012. The Series A Preferred Stock does not have a stated maturity date and is not subject to any sinking fund or mandatory redemption provisions. The Series A Preferred Stock will rank senior to our common stock with respect to dividend rights and rights upon our liquidation, dissolution or winding-up. Holders of Series A Preferred Stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and in other specified circumstances.

Holders of Series A Preferred Stock may convert some or all of their outstanding Series A Preferred Stock initially at a conversion rate of 10.6022 shares of common stock per $100 liquidation preference, which is equivalent to an initial conversion price of approximately $9.43 per share of common stock, subject to adjustment in certain events. Except as otherwise provided, the Series A Preferred Stock will be convertible only into shares of our common stock.

On or after October 3, 2017, we may, at our option, convert some or all of the Series A Preferred Stock into that number of shares of our common stock that are issuable at the then-applicable conversion rate, subject to specified conditions. On or prior to October 3, 2017, the holders of Series A Preferred Stock will have a special right to convert some or all of the Series A Preferred Stock into shares of our common stock in the event of fundamental changes described in the Certificate of Designations for the Series A Preferred Stock, subject to specified conditions and limitations. In certain circumstances, we may also elect to settle conversions in cash as a result of these fundamental changes.

Private Warrant Exchange

In September 2012, we entered into privately negotiated warrant exchange agreements with funds managed by T2 Partners Management, L.P. (“T2”), the largest holder of our outstanding common stock purchase warrants with an exercise price of $7.00 per share, or $7.00 Warrants. Pursuant to these exchange agreements, we issued 562,370 new shares of our common stock in exchange for 3,374,220 of the $7.00 Warrants held by the T2 funds (equivalent to approximately 0.1667 common shares for every $7.00 Warrant tendered), representing approximately 27% of the outstanding $7.00 Warrants.

Tender Offer for Warrant Exchange

On October 2, 2012, we initiated a tender offer to exchange the remaining outstanding $7.00 Warrants for shares of our common stock. We offered holders of $7.00 Warrants one share of common stock for every six of the $7.00 Warrants tendered (equivalent to approximately 0.1667 common shares for every $7.00 Warrant tendered). The offer period ends on November 6, 2012.

Restatement to Correct Errors

Management has determined that its financial statements and related disclosures as of and for each of the years ended December 31, 2009, 2010 and 2011, and the quarters ended December 31, 2009 through December 31, 2011, or the Previously Issued Financial Statements, should be restated because they contained errors. In addition, management has concluded that one of these errors arose from a material weakness related to the internal controls over the accounting for income taxes that was not identified in the Report of Management on Internal Control over Financial

Reporting as of December 31, 2011 included in Item 9A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. As a result, our consolidated financial statements for the years ended December 31, 2009, 2010 and 2011 included in the Company's Annual Reports on Form 10-K and for the quarterly periods ended March 31, June 30, and September 30, 2010 and 2011 included in its Quarterly Reports on Form 10-Q and the reports of Ernst & Young LLP on (i) the consolidated financial statements as of and for the years ended December 31, 2009, 2010 and 2011 and (ii) internal control over financial reporting as of December 31, 2009, 2010 and 2011 should no longer be relied upon.

The errors in the Previously Issued Financial Statements pertained to certain components of our provision for income taxes related to deferred income taxes of a non-operating foreign subsidiary and recognition of expense related to the fee for the undrawn portion of our Credit Facility in the incorrect period. Both of these errors are non-cash in nature.

Management intends to restate the Previously Issued Financial Statements to correct these errors by amending our Annual Report on Form 10-K for the year ended December 31, 2011 subsequent to the filing of this report. The discussion of our financial condition and results of operations as of and for the quarters and years ended December 31, 2009, 2010 and 2011, included in our Annual Report on Form 10-K for the year ended December 31, 2011, will also be amended as part of that filing. The financial statements for the three and nine months ended September 30, 2011 and the balance sheet as of December 31, 2011 included in this report have been restated for the impact of these errors on the previously reported interim financial results.

Material Trends and Uncertainties

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

- demand for remote and reliable mobile communications services;
- increased demand for communications services by the U.S. Department of Defense, or DoD, disaster and relief agencies and emergency first responders;

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- a broad and expanding wholesale distribution network with access to diverse and geographically dispersed niche markets;
- a growing number of new products and services and related applications;
- improved data transmission speeds for mobile satellite service offerings;
- regulatory mandates requiring the use of mobile satellite services;
- a general reduction in prices of mobile satellite services and subscriber equipment; and
- geographic market expansion through the receipt of licenses to sell our services in additional countries.

Nonetheless, we face a number of challenges and uncertainties in operating our business, including:

- our ability to develop Iridium NEXT and related ground infrastructure, and to develop products and services for Iridium NEXT, including our ability to continue to access the Credit Facility to meet our future capital requirements for the design, build and launch of the Iridium NEXT satellites;
- our ability to obtain sufficient internally generated cash flows, including cash flows from hosted payloads, to fund a portion of the costs associated with Iridium NEXT and support ongoing business;
- our ability to successfully fund, develop and market the space-based ADS-B global aviation monitoring service to be developed and deployed by Aireon and carried as a hosted payload on the Iridium NEXT system;
- our ability to maintain the health, capacity, control and level of service of our existing satellite network until and during the transition to Iridium NEXT;
- changes in general economic, business and industry conditions;
- our reliance on a single primary commercial gateway and a primary satellite network operations center;
- competition from other mobile satellite service providers and, to a lesser extent, from the expansion of terrestrial-based cellular phone systems and related pricing pressures;

- changes in demand from U.S. government customers, particularly the DoD;
- our ability to successfully negotiate a new contract with the DoD when it expires in 2013;
- market acceptance of our products;
- regulatory requirements, in existing and new geographic markets;
- rapid and significant technological changes in the telecommunications industry;
- reliance on our wholesale distribution network to market and sell our products, services and applications effectively;
- reliance on single source suppliers for some of the components required in the manufacture of our end-user subscriber equipment and our ability to purchase parts that are periodically subject to shortages resulting from surges in demand, natural disasters or other events; and
- reliance on a few significant customers for a substantial portion of our revenue, where the loss or decline in business with any of these customers may negatively impact our revenue and increase in our bad debt expense.

Comparison of Our Results of Operations for the Three Months Ended September 30, 2012 and 2011

For purposes of comparing our results of operations for the three months ended September 30, 2012 and 2011, the results of operations for the three months ended September 30, 2011 have been restated due to the identification of non-cash errors as described above under the caption “Restatement to Correct Errors.” The errors we identified affected the provision for income taxes for the three months ended September 30, 2011. The errors and their restatement did not impact revenues, operating expenses, or operating income as previously reported.

($ in thousands)	Three Months Ended September 30, 2012	% of Total Revenue	2011	% of Total Revenue	Change Dollars	Percent
Revenue:						
Services	$71,403	71 %	$69,361	68 %	$2,042	3 %
Subscriber equipment	26,371	26 %	25,909	25 %	462	2 %
Engineering and support services	2,667	3 %	6,854	7 %	(4,187)	(61)%
Total revenue	100,441	100 %	102,124	100 %	(1,683)	(2)%
Operating expenses:						
Cost of services (exclusive of depreciation and amortization)	14,000	14 %	17,770	17 %	(3,770)	(21)%
Cost of subscriber equipment	14,194	14 %	13,793	14 %	401	3 %
Research and development	3,623	4 %	3,122	3 %	501	16 %
Selling, general and administrative	16,452	16 %	16,457	16 %	(5)	0 %
Depreciation and amortization	20,484	20 %	26,784	26 %	(6,300)	(24)%
Total operating expenses	68,753	68 %	77,926	76 %	(9,173)	(12)%
Operating income	$31,688	32 %	$24,198	24 %	$7,490	31 %

Revenue

Total revenue decreased by 2% to $100.4 million for the three months ended September 30, 2012 compared to the three months ended September 30, 2011. The decrease was primarily due to a decrease in revenue from government-sponsored engineering and support contracts. The decrease in revenue was partially offset by a 17% year-over-year increase in billable subscribers and an increase in sales volume of subscriber equipment.

Service Revenue

	Three Months Ended September 30, 2012			Three Months Ended September 30, 2011			Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	**Billable Subscribers** (1)	**ARPU** (2)	Revenue	**Billable Subscribers** (1)	**ARPU** (2)	Revenue	Billable Subscribers	ARPU
Commercial voice	$45.2	333	$ 46	$ 44.8	305	$ 50	$0.4	28	$ (4)
Commercial M2M data	10.9	213	18	8.3	154	19	2.6	59	(1)
Total Commercial	56.1	546		53.1	459		3.0	87	
Government voice	14.5	35	136	15.7	38	140	(1.2)	(3)	(4)
	0.8	14	19	0.6	11	19	0.2	3	-

Government M2M data						
Total Government	15.3	49	16.3	49	(1.0)	-
Total	$71.4	595	$ 69.4	508	$2.0	87

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

(2) Average monthly revenue per unit, or ARPU, is calculated by dividing revenue in the respective period by the average of the number of billable subscribers at the beginning of the period and the number of billable subscribers at the end of the period and then dividing the result by the number of months in the period.

Service revenue increased by 3% for the three months ended September 30, 2012, compared to the prior year period, primarily due to growth in billable subscribers partially offset by decreases in ARPU for voice services.

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Commercial voice revenue increased principally due to an increase in revenue from prepaid services and subscriber growth in higher ARPU Iridium OpenPort®, our broadband data maritime service. The decrease in commercial voice ARPU was due to a decline in average minutes of use per post-paid subscriber. Future growth in commercial voice revenue may be negatively affected by reductions in non-U.S. defense spending and deployed non-U.S. troop levels. Commercial M2M data revenue growth was driven principally by an increase in the billable subscriber base.

Government voice revenue decreased principally due to a reduction in billable subscribers and ARPU. Government voice ARPU decreased due to a higher proportion of billable subscribers on lower priced plans for Netted Iridium®, a service that provides beyond-line-of-sight, push-to-talk tactical radio service for user-defined groups. The increase in government M2M data revenue was driven primarily by billable subscriber growth. Government M2M data ARPU remained flat at $19. We expect government voice ARPU to be lower for the full year 2012 as compared to 2011 as usage of lower priced Netted Iridium continues to grow as a percentage of overall government voice subscribers. Future government voice and M2M data billable subscribers and revenue may be negatively affected by reductions in U.S. defense spending and deployed troop levels, with a corresponding decrease in subscribers under our agreements with the U.S. government. These agreements account for a majority of our government services revenue. In addition, our agreement with the U.S. government expires in 2013. Future government voice and M2M data revenues will be dependent upon our ability to negotiate a favorable new agreement with the U.S. government.

Engineering and Support Service Revenue

Engineering and support service revenue decreased 61% for the three months ended September 30, 2012 compared to the prior year period due to a decline in scope of work for government-sponsored contracts.

Operating Expenses

Cost of Services (exclusive of depreciation and amortization)

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

Cost of services (exclusive of depreciation and amortization) decreased 21% for three months ended September 30, 2012 from the prior year period due to a decline in scope of work for government-sponsored contracts with corresponding impacts to revenue and cost of services.

Depreciation and Amortization

Depreciation and amortization expense decreased 24% for the three months ended September 30, 2012 from the prior year period. During the second quarter of 2012, we updated our analysis of the current satellite constellation's health and the remaining useful life. Based on the results of this analysis, we estimate that our current constellation of satellites will be operational for longer than previously expected. As a result, the estimated useful life of the current constellation was extended and is consistent with the expected deployment of Iridium NEXT. The extension of the estimated useful life resulted in a decline in depreciation expense of $6.5 million for the three months ended September 30, 2012 as compared to the prior period. We will continue to evaluate the useful life of our current constellation of satellites on an ongoing basis through full deployment and activation of Iridium NEXT. The decline in depreciation expense was partially offset by a $2.0 million impairment charge that we recorded during the third quarter of 2012 as a result of having lost communication with one of our in-orbit satellites.

Other Income (Expense)

Undrawn Credit Facility Fees

Commitment fees on the undrawn portion of the Credit Facility were $2.5 million for the three months ended September 30, 2012 compared to $3.1 million for the prior year period. The decrease of the commitment fee on the undrawn portion is directly proportionate to the increase in the amounts borrowed under the Credit Facility as we finance the development of Iridium NEXT.

Provision for Income Taxes

For the three months ended September 30, 2012, our income tax provision was $11.7 million compared to $9.4 million for the restated prior year period. This increase principally resulted from the 2012 increase in net income offset by the 2010 provision to return adjustments recorded in the third quarter of 2011. Our effective tax rate was 39.6% for the three months ended September 30, 2012 compared to 43.9% for the restated three months ended September 30, 2011. The decrease in the rate is primarily due to the 2010 provision to return adjustments recorded in third quarter 2011. As our current estimates change in future periods, the impact on the deferred tax assets and liabilities may change correspondingly.

Comparison of Our Results of Operations for the Nine Months Ended September 30, 2012 and 2011

For purposes of comparing our results of operations for the nine months ended September 30, 2012 and 2011, the results of operations for the nine months ended September 30, 2011 have been restated due to the identification of non-cash errors as described above under the caption "Restatement to Correct Errors." The errors we identified affected the undrawn credit facility fees and the provision for income taxes for the nine months ended September 30, 2011. The errors and their restatement did not impact revenues, operating expenses, or operating income as previously reported.

	Nine Months Ended September 30,					
		% of Total		% of Total	Change	
($ in thousands)	2012	Revenue	2011	Revenue	Dollars	Percent
Revenue:						
Services	$206,736	71 %	$195,687	68 %	$11,049	6 %
Subscriber equipment	71,825	25 %	72,232	25 %	(407)	(1)%
Engineering and support services	12,675	4 %	21,411	7 %	(8,736)	(41)%
Total revenue	291,236	100 %	289,330	100 %	1,906	1 %
Operating expenses:						
Cost of services (exclusive of depreciation and amortization)	47,991	17 %	54,467	19 %	(6,476)	(12)%
Cost of subscriber equipment	40,828	14 %	38,900	13 %	1,928	5 %
Research and development	12,741	4 %	10,769	4 %	1,972	18 %
Selling, general and administrative	52,570	18 %	50,173	17 %	2,397	5 %
Depreciation and amortization	63,056	22 %	73,779	26 %	(10,723)	(15)%
Total operating expenses	217,186	75 %	228,088	79 %	(10,902)	(5)%
Operating income	$74,050	25 %	$61,242	21 %	$12,808	21 %

Revenue

Total revenue increased by 1% to $291.2 million for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011. This increase in revenue was principally due to a 17% year-over-year increase in billable subscribers. This increase was partially offset by a decrease in revenue from government-sponsored engineering and support contracts and a decline in ARPU for voice services.

Service Revenue

	Nine Months Ended September 30, 2012			Nine Months Ended September 30, 2011			Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	Billable **Subscribers** [1]	ARPU [2]	Revenue	Billable **Subscribers** [1]	**ARPU** [2]	Revenue	Billable Subscribers	ARPU
Commercial voice	$ 129.9	333	$ 45	$ 125.6	305	$ 48	$ 4.3	28	$ (3)
Commercial M2M data	30.3	213	18	21.8	154	18	8.5	59	-
Total Commercial	160.2	546		147.4	459		12.8	87	
Government voice	44.4	35	137	46.6	38	140	(2.2)	(3)	(3)
Government M2M data	2.1	14	19	1.7	11	21	0.4	3	(2)
Total Government	46.5	49		48.3	49		(1.8)	-	
Total	$ 206.7	595		$ 195.7	508		$ 11.0	87	

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

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

Service revenue increased by 6% for the nine months ended September 30, 2012 compared to the prior year period primarily due to growth in billable subscribers, partially offset by decreases in ARPU for voice services.

Commercial voice revenue increased due to growth related to our higher-ARPU Iridium OpenPort and increased revenue from prepaid services. These increases were partially offset by decreases in ARPU due to a decline in average minutes of use per post-paid subscriber.

Commercial M2M data revenue growth was driven principally by an increase in the billable subscriber base. Commercial M2M data ARPU remained flat at $18.

Government voice revenue decreased principally due to a decline in billable subscribers combined with a decrease in ARPU. Government voice ARPU decreased due to a higher proportion of billable subscribers on the lower priced plans for Netted Iridium. The increase in government M2M data revenue was driven primarily by billable subscriber growth. Government M2M data ARPU decreased compared to the prior year period primarily due to growth in subscribers using plans that generate lower revenue per unit.

Engineering and Support Service Revenue

Engineering and support service revenue decreased 41% for the nine months ended September 30, 2012 compared to the prior year period primarily due to a decline in scope of work for government-sponsored contracts.

Operating Expenses

Cost of Services (exclusive of depreciation and amortization)

Cost of services (exclusive of depreciation and amortization) decreased 12% for the nine months ended September 30, 2012 compared to the prior year period due to a decline in scope of work for government-sponsored engineering and support contracts with corresponding impacts to revenue and cost of services.

Research and Development

Research and development expense increased 18% for the nine months ended September 30, 2012 compared to the prior year period. The increase was primarily driven by an increase in research and development associated with Iridium NEXT projects.

Selling, General and Administrative

Selling, general and administrative expenses increased by 5% for the nine months ended September 30, 2012 from the prior year period. This increase was primarily due to a $1.5 million increase in stock-based compensation and a $0.7 million increase in bad debt expense related to a potentially uncollectible portion of an outstanding receivable balance. Future selling, general and administrative expenses may be negatively affected by our ability to collect amounts on accounts receivable with specific customers; we will continue to evaluate all receivables for collectability.

Depreciation and Amortization

Depreciation and amortization expense decreased 15% for the nine months ended September 30, 2012 compared to the prior year period. The decrease was driven by the increase in the estimated useful life of our satellites, which resulted in a $13.1 million decline in depreciation expense for the nine months ended September 30, 2012 compared to the prior year period. This decrease was partially offset by a $2.0 million impairment charge within depreciation expense related to the impairment of an in-orbit satellite with which we lost communication during the third quarter of 2012.

Other Income (Expense)

Undrawn Credit Facility Fees

Commitment fees on the undrawn portion of the Credit Facility were $7.8 million for the nine months ended September 30, 2012 compared to $10.6 million for the prior year period, as restated. The decrease of the commitment fee on the undrawn portion is directly proportionate to the increase in the amounts borrowed under the Credit Facility as we finance the development of Iridium NEXT.

Provision for Income Taxes

For the nine months ended September 30, 2012, our income tax provision was $18.9 million compared to $19.8 million for the restated prior year period. Our effective tax rate was approximately 28.2% for the nine months ended September 30, 2012 compared to 37.8% for the restated prior year period. The decrease in both our income tax provision and our effective tax rate primarily resulted from an increase in the net benefit in our year to date third quarter 2012 income tax expense compared the year ago period related to the impact on our deferred tax assets and liabilities for the change in the Arizona tax laws enacted in 2011 and 2012. This benefit was partially offset by an increase in income as compared to the year ago period. As our current estimates change in future periods, the impact on the deferred tax assets and liabilities may change correspondingly.

Our 2012 effective tax rate differs from the statutory U.S. Federal tax rate of 35% primarily due to the state tax benefit of the Arizona tax laws changes enacted in 2011 and 2012. Our 2011 effective tax rate differs from the statutory U.S. Federal tax rate of 35% due primarily due to state income tax expense partially offset by the state tax benefit of the Arizona tax law change as well as permanent differences.

Liquidity and Capital Resources

As of September 30, 2012, our total cash and cash equivalents balance was $189.4 million. Our principal sources of liquidity are existing cash, internally generated cash flows, and the Credit Facility. Our principal liquidity requirements are to meet capital expenditure needs, principally the design, build and launch of Iridium NEXT, as well as for working capital and research and development expenses.

We expect to fund $1.8 billion of the costs of Iridium NEXT with the Credit Facility, with the remainder to be funded from internally generated cash flows, including potential cash flows from hosted payloads on our Iridium NEXT satellites, and the $96.7 million in proceeds from the recent issuance of our Series A Preferred Stock.

The Credit Facility contains borrowing restrictions, including financial performance covenants and covenants relating to hosted payloads, and there can be no assurance that we will be able to continue to borrow funds under the Credit Facility. There can also be no assurance that our internally generated cash flows, including those from hosted payloads on our Iridium NEXT satellites, will meet our current expectations. If we do not generate sufficient cash flows, or if the cost of implementing Iridium NEXT or the other elements of our business plan is higher than anticipated, we will require further external funding. Our ability to obtain additional funding may be adversely affected by a number of factors, including the global economic downturn and related tightening of the credit markets, and we cannot assure you that we will be able to obtain such funding on reasonable terms, or at all. If we are not able to secure such funding in a timely manner, our ability to maintain our network, to design, build and launch Iridium NEXT and related ground infrastructure, products and services, and to pursue additional growth opportunities will be impaired, and we would likely need to delay some elements of our Iridium NEXT development. Our liquidity and our ability to fund our liquidity requirements are also dependent on our future financial performance, which is subject to general economic, financial, regulatory and other factors that are beyond our control.

The recent amendment to the Credit Facility allows us to make a $12.5 million investment in Aireon, the injection of up to $10 million worth of airtime credits into Aireon as provided for in Aireon’s agreement with Harris Corporation to build the ADS-B system payloads, if needed, and an additional investment of up to $15 million raised from the issuance of our equity. The amended Credit Facility requires us to use any net distributions that we receive from Aireon to repay the debt under the Credit Facility and to grant the Lenders a security interest in our ownership interest in Aireon. The amendment does not modify the principal amount, interest rates, repayment dates, or maturity of the Credit Facility. The amended Credit Facility includes revised financial covenant levels to reflect changes in timing of expected receipts of cash flows from secondary payloads and other changing business conditions and revised launch and backup launch requirements to permit the amendment to our launch services agreement with SpaceX. Also, the Supplemental Agreement required us to raise $100 million through a combination of the issuance of convertible preferred or common equity and the exercise of warrants by April 30, 2013. In response to this requirement, we entered into a purchase agreement to sell 1,000,000 shares of our Series A Preferred Stock in a private offering. The purchase price, equal to $96.85 per share, reflected a discount to the initial purchase price of $3.15 per share. We received proceeds of $96.7 million from the sale of the Series A Preferred Stock in October 2012, which were net of the $3.2 million initial purchaser discount and $0.2 million of offering costs. The settlement date of the private offering was October 3, 2012. We also received $9.1 million from the exercise of $7.00 Warrants during the quarter ended September 30, 2012.

Holders of Series A Preferred Stock are entitled to receive cumulative cash dividends at an annual rate of $7.00 per share. Dividends are payable quarterly in arrears, beginning on December 15, 2012. For each full quarter that the Series A Preferred Stock is outstanding, and assuming that no shares of Series A Preferred Stock have been converted into shares of our common stock, we would be required to pay cash dividends of $1.75 million. We expect that we would satisfy dividend requirements, if and when declared, from internally generated cash flows.

As of September 30, 2012 and October 31, 2012, we had borrowed a total of $588.9 million and $598.9 million under the Credit Facility, respectively. The unused portion of the Credit Facility as of September 30, 2012 was $1.2 billion. Under the terms of the Credit Facility, we were required to maintain a minimum cash reserve for debt service of $54.0 million as of September 30, 2012, which is classified as restricted cash on the accompanying condensed consolidated balance sheet. This minimum cash reserve requirement will increase over the term of the Credit Facility to $189.0 million at the beginning of the repayment period, which is expected to be in 2017. We believe that our liquidity sources will provide sufficient funds for us to meet our liquidity requirements for at least the next 12 months.

Cash Flows

The following section highlights our cash flows for the nine months ended September 30, 2012 and 2011:

	2012	2011	Change
	(in thousands)		
Cash provided by operating activities	$132,715	$131,923	$792
Cash used in investing activities	$(221,343)	$(240,344)	$19,001
Cash provided by financing activities	$141,661	$113,322	$28,339

Cash Flows from Operating Activities

Cash provided by operating activities for the nine months ended September 30, 2012 remained relatively flat compared to the prior year period despite a $15.3 million increase in net income due to offsetting items including a $10.7 million decrease in depreciation and amortization expense and a $6.3 million decrease in working capital. The non-cash errors impacting the nine months ended September 30, 2011 had no net impact on the total cash provided by operating activities as reported; however, the correction of the errors had offsetting effects on net income and the change in working capital in the period.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2012 decreased compared to the same period in the prior year due to decreased capital expenditures related to Iridium NEXT, including payments related to the purchase of equipment and software for our satellite, network and gateway operations. This decrease was due to timing of payments.

Cash Flows from Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2012 increased by $28.3 million compared to the same period in the prior year primarily due to a $22.2 million payment in 2011 which represented satisfaction in full of our promissory note to Motorola Solutions, Inc. and which did not recur in 2012, a $15.7 million decrease in payments of financing fees incurred in conjunction with obtaining the Credit Facility, and an $8.9 million increase in proceeds from the exercise of stock options and warrants. The increase in cash provided by financing activities was partially offset by an $18.4 million decrease in borrowings under the Credit Facility compared to the prior year period. Cash provided by financing activities for the nine months ended September 30, 2012 does not include the proceeds of the private placement of our Series A Preferred Stock, as that transaction closed on October 3, 2012.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements, as such term is defined in Item 303(a)(4)(ii) of the SEC's Regulation S-K, that have or are reasonably likely to have a material current or future effect on our financial condition, results of operations, liquidity or capital resources.

Seasonality

Our results of operations have been subject to seasonal usage changes for commercial customers, and we expect that our results will be affected by similar seasonality effects in the future. March through October are typically the peak months for commercial voice services revenue and related subscriber equipment sales. U.S. government revenue and commercial M2M revenue have been less subject to seasonal usage changes.

Recent Accounting Developments

None.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest income earned on our cash and cash equivalents balance is subject to interest rate fluctuations. For the three and nine months ended September 30, 2012, a one-half percentage point increase or decrease in interest rates would not have had a material effect on our interest income.

We entered into the Credit Facility in October 2010 and had borrowed $588.9 million under the Credit Facility as of September 30, 2012. A portion of the draws we make under the Credit Facility bear interest at a floating rate equal to the London Interbank Offered Rate, or LIBOR, plus 1.95% and will, accordingly, subject us to interest rate fluctuations in future periods. Had the currently outstanding borrowings under the Credit Facility been outstanding throughout the nine months ended September 30, 2012, a one-half percentage point increase or decrease in the LIBOR would not have had a material effect on our interest cost.

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and accounts payable. We maintain our cash and cash equivalents with financial institutions with high credit ratings and at times maintain the balance of our deposits in excess of federally insured (FDIC) limits. The majority of our cash is swept nightly into funds that invest in or are collateralized by U.S government-backed securities. Accounts receivable are due from both domestic and international customers. We perform credit evaluations of our customers' financial condition and record reserves to provide for estimated credit losses. Accounts payable are owed to both domestic and international vendors.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer, who is our principal executive officer, and our chief financial officer, who is our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. In evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. In addition, the design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and not be detected. As a result of the evaluation performed, management has determined that a material weakness in our internal controls over financial reporting and our disclosure controls and procedures existed as of the end of the period covered by this report. As described below, we are taking steps to remediate the identified material weakness in our internal controls over financial reporting in order to address the material weakness.

Restatement of Consolidated Financial Statements

We determined that the previously issued financial statements for the years ended December 31, 2009, 2010 and 2011 included in our most recently filed Form 10-K, the period ended December 31, 2009 and each of the quarters in the years ended December 31, 2010 and 2011 included in our quarterly reports on Form 10-Q (collectively, the “Affected Periods”) are no longer reliable. Management and the Audit Committee of the Board of Directors have determined that financial statements for the Affected Periods should be restated to reflect corrections of errors related to our provision for income taxes and undrawn credit facility fee expense. Management and the Audit Committee of the Board of Directors have discussed these matters with our independent registered public accounting firm. In connection with this restatement, as described in further detail in Note 2 to the condensed consolidated financial statements included in this Form 10-Q, management reevaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report and determined that the control deficiency that caused the misstatement constitutes a material weakness in the area of accounting for income taxes. As a result of the identification of the errors that led to the restatement and the related reassessment of disclosure controls and procedures and internal control over financial reporting, we are implementing certain remediation steps to address the material weakness discussed above in the area of deferred income taxes. Specifically, through our continued effort to evaluate and improve our internal controls over financial reporting, management has expanded its review procedures over the tax provision process, utilizing both internal staff and third-party tax professionals.

Management will continue to review and make necessary changes to the overall design of our internal control environment, as well as to policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 30, 2012, except as it relates to the efforts to remediate the material weakness in internal control over financial reporting discussed above, there were no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Neither we nor any of our subsidiaries are currently subject to any material legal proceeding, nor, to our knowledge, is any material legal proceeding threatened against us or any of our subsidiaries.

ITEM 1A. RISK FACTORS.

Our business is subject to risks and events that, if they occur, could adversely affect our financial condition and results of operations and the trading price of our securities. In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors discussed in "Part I, Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission on March 6, 2012, as updated by the following risk factors.

Our business plan depends on increased demand for mobile satellite services and the success of our subsidiary, Aireon LLC, which is our primary hosted payload customer, among other factors.

Our business plan is predicated on growth in demand for mobile satellite services and the ability of our primary hosted payload customer to pay us to accommodate its hosted payloads on our next-generation satellite constellation, Iridium NEXT. Demand for mobile satellite services may not grow, or may even contract, either generally or in particular geographic markets, for particular types of services or during particular time periods. A lack of demand could impair our ability to sell products and services, develop and successfully market new products and services and could exert downward pressure on prices. Any decline in prices would decrease our revenue and profitability and negatively affect our ability to generate cash for investments and other working capital needs. Further, in June 2012 we announced our plans to host a payload to be developed by our subsidiary, Aireon LLC, as our primary hosted payload. Aireon's payload will be an automatic dependent surveillance-broadcast, or ADS-B, system for global air traffic monitoring. Aireon's success depends on its ability to raise funds to operate while the ADS-B system payloads are being constructed and on the development of the market for a space-based ADS-B service. If Aireon cannot successfully develop the payload or sell its services to air navigation service providers, it will not be able to pay us for the hosting costs.

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

- our ability to maintain the health, capacity and control of our existing satellite constellation;

- our ability to complete the design, build and launch of Iridium NEXT and related ground infrastructure, products and services, and, once launched, our ability to maintain the health, capacity and control of such satellite constellation;

- the level of market acceptance and demand for our products and services;
- our ability to introduce innovative new products and services that satisfy market demand, including new service offerings on Iridium NEXT;
- our ability to obtain additional business using our existing spectrum resources both in the U.S. and internationally;
- our ability to sell our products and services in additional countries;
- our ability to maintain our relationship with U.S. government customers, particularly the Department of Defense;
- the ability of our distributors to market and distribute our products, services and applications effectively and their continued development of innovative and improved solutions and applications for our products and services;
- the effectiveness of our competitors in developing and offering similar services and products; and
- our ability to maintain competitive prices for our products and services and control costs.

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

Our business plan calls for the development of Iridium NEXT, the development of new product and service offerings, upgrades to our current services, hardware and software upgrades to maintain our ground infrastructure and upgrades to our business systems. We estimate the costs associated with the design, build and launch of Iridium NEXT and related ground infrastructure upgrades through 2017 will be approximately $3 billion. While we expect to fund these costs with borrowings under the Credit Facility and the proceeds from the sale of our 7.00% Series A Cumulative Convertible Perpetual Preferred Stock, which closed on October 3, 2012, together with internally generated cash flows, including potential revenues from hosted payloads, it is possible that these sources will not be sufficient to fully fund Iridium NEXT. For example, our primary hosted payload customer is our subsidiary, Aireon. If Aireon is not successful and fails to pay its hosting costs, or if we fail to generate our expected cash flows, we might need to finance the remaining cost by raising additional debt or equity financing. In addition, we may need additional capital to design and launch new products and services on Iridium NEXT. Such additional financing may not be available on favorable terms, or at all.

Our ability to make ongoing draws under the Credit Facility will depend upon our satisfaction of various borrowing conditions from time to time, some of which will be outside of our control. In addition, there can be no assurance that our internally generated cash flows will meet our current expectations, or that we will not encounter increased costs. Among other factors leading to the uncertainty over our internally generated cash flows, Aireon may be unable to pay its hosting costs. If available funds from the Credit Facility and internally generated cash flows are less than we expect, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, develop new products and services, and pursue additional growth opportunities will be impaired, which would significantly limit the development of our business and impair our ability to provide a commercially acceptable level of service. We expect to experience overall liquidity levels lower than our recent liquidity levels. Inadequate liquidity could compromise our ability to pursue our business plans and growth opportunities and make borrowings under the Credit Facility, delay the ultimate deployment of Iridium NEXT, and otherwise impair our business and financial position.

If we fail to satisfy the ongoing borrowing conditions of the Credit Facility, we may be unable to fund Iridium NEXT.

We plan to use borrowings under the Credit Facility to partially fund the construction of our Iridium NEXT satellites, including borrowing to capitalize interest otherwise due under the Credit Facility. Our ability to continue to draw funds under the Credit Facility over time will depend on the satisfaction of borrowing conditions, including:

- compliance with the covenants under the Credit Facility, including financial covenants and covenants relating to hosted payloads;
- accuracy of the representations we make under the Credit Facility;

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- compliance with the other terms of the Credit Facility, including the absence of events of default; and
- maintenance of the insurance policy with Compagnie Française d'Assurance pour le Commerce Extérieur, or COFACE, the French export credit agency.

Some of these borrowing conditions may be outside of our control or otherwise difficult to satisfy. If we do not continue to satisfy the borrowing conditions under the Credit Facility and cannot obtain a waiver from the Lenders, we would need to find other sources of financing. We would have to seek the permission of the Lenders under the Credit Facility in order to obtain many alternative sources of financing, and there can be no assurance that we would have access to other sources of financing on acceptable terms, or at all.

If we default under the Credit Facility, the lenders may require immediate repayment in full of amounts borrowed or foreclose on our assets.

The Credit Facility contains events of default, including:

- non-compliance with the covenants under the Credit Facility, including financial covenants and covenants relating to hosted payloads;
- cross-default with other indebtedness;
- insolvency of any obligor under the Credit Facility;
- revocation of the COFACE policy;
- failure to maintain our current satellite constellation or complete Iridium NEXT by a specified time; and
- a determination by the lenders that we have experienced a material adverse change in our business.

Some of these events of default are outside of our control or otherwise difficult to satisfy. If we experience an event of default, the lenders may require repayment in full of all principal and interest outstanding under the Credit Facility. It is unlikely we would have adequate funds to repay such amounts prior to the scheduled maturity of the Credit Facility. If we fail to repay such amounts, the lenders may foreclose on the assets we have pledged under the Credit Facility, which includes substantially all of our assets and those of our domestic subsidiaries.

The Credit Facility restricts the manner in which we may operate our business, which may prevent us from successfully implementing our business plan.

The Credit Facility contains restrictions on the operation of our business, including limits on our ability to:

- make capital expenditures;
- carry out mergers and acquisitions;
- dispose of or grant liens on our assets;
- enter into transactions with our affiliates;
- pay dividends or make distributions to our stockholders;
- incur indebtedness;
- prepay indebtedness; and
- make loans, guarantees or indemnities.

Complying with these restrictions may cause us to take actions that are not favorable to holders of our securities and may make it more difficult for us to successfully execute our business plan and compete against companies who are not subject to such restrictions.

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

We are currently developing Iridium NEXT, which we expect to commence launching in early 2015. While we expect our current satellite constellation to provide a commercially acceptable level of service through the transition to Iridium NEXT, we cannot guarantee it will do so. If we are unable, for any reason, including as a result of insufficient funds, manufacturing or launch delays, launch failures, in-orbit satellite failures, inability to achieve or maintain orbital placement, failure of the satellites to perform as expected, interference between any hosted payload and our network, or delays in receiving regulatory approvals, to effectively deploy Iridium NEXT before our current constellation ceases to provide a commercially acceptable level of service, or if we experience backward compatibility problems with our new constellation once deployed, we will likely lose customers and business opportunities to our competitors, resulting in a material decline in revenue and profitability and the inability to service debt.

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

We estimate the costs associated with the design, build and launch of Iridium NEXT and related ground infrastructure upgrades through 2017 will be approximately $3 billion, although our actual costs could substantially exceed this estimate. We may not complete Iridium NEXT and related ground infrastructure on time, on budget or at all. The design, manufacture and launch of satellite systems are highly complex and historically have been subject to delays and cost overruns. Development of Iridium NEXT may suffer from additional delays, interruptions or increased costs due to many factors, some of which may be beyond our control, including:

- lower than anticipated internally generated cash flows, including from Aireon;
- the failure to maintain our ability to make draws under the Credit Facility, including by reason of our failure to satisfy any ongoing financial or other condition to making draws;
- operating and other requirements imposed by the Lenders under the Credit Facility;
- engineering or manufacturing performance falling below expected levels of output or efficiency;

- interference between any hosted payload and our network;
- complex integration of our ground segment with the Iridium NEXT satellites and the transition from our current constellation;
- denial or delays in receipt of regulatory approvals or non-compliance with conditions imposed by regulatory authorities;
- the breakdown or failure of equipment or systems;
- non-performance by third-party contractors, including the prime system contractor;
- the inability to license necessary technology on commercially reasonable terms or at all;
- use of a new or unproven launch vehicle or the failure of the launch services provider to sustain its business;
- launch delays or failures or in-orbit satellite failures once launched or the decision to manufacture additional replacement satellites for future launches;
- labor disputes or disruptions in labor productivity or the unavailability of skilled labor;

- increases in the costs of materials;
- changes in project scope;
- additional requirements imposed by changes in laws; or
- severe weather or catastrophic events such as fires, earthquakes, storms or explosions.

In addition, there can be no assurance the ground infrastructure needed to complete Iridium NEXT will be completed on-time, on budget or at all. If the design, manufacture and deployment of Iridium NEXT costs more or takes longer than we anticipate, our ability to continue to develop Iridium NEXT and related ground infrastructure could be compromised.

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

The launch of our Iridium NEXT satellites will be subject to the inherent risk of launch failures, which could result in the loss or destruction of one or more satellites. We have entered into a Contract for Launch Services, as amended to date, or the SpaceX Agreement, with Space Exploration Technologies Corp., or SpaceX, pursuant to which SpaceX will provide launch services to us in connection with our deployment of Iridium NEXT. The SpaceX Agreement contemplates seven launches of ten satellites each on SpaceX's Falcon 9 launch vehicle over a two-year period. SpaceX has a limited operating history and limited financial resources, and the Falcon 9 has a limited launch history, which could expose us to delay, greater risk of launch failure or the need to utilize an alternate launch services provider, which could substantially increase our launch costs. We have also entered into a Contract for Launch Services, or the Kosmotras Agreement, with International Space Company Kosmotras, or Kosmotras, pursuant to which Kosmotras will provide supplemental or alternative launch services for Iridium NEXT. The use of Kosmotras instead of SpaceX would increase our launch costs, and the Kosmotras Agreement only provides for the launch of up to 24 satellites, which is not enough to launch the whole Iridium NEXT constellation.

In addition, we are required under the terms of the Credit Facility to insure a portion of the launch of our Iridium NEXT satellites, and we expect to self-insure the remaining portion. Launch insurance currently costs approximately 6% to 15% of the insured value of the satellites launched, including launch costs, but may vary depending on market conditions and the safety record of the launch vehicle. In addition, we expect any launch insurance policies that we obtain to include specified exclusions, deductibles and material change limitations. Typically, these insurance policies contain exclusions customary in the industry for damage arising from acts of war, lasers and other similar potential risks. If launch insurance rates were to rise substantially, our future launch costs could increase. It is also possible that insurance could become unavailable or prohibitively expensive, either generally or for a specific launch vehicle, or that new insurance could be subject to broader exclusions on coverage or limitations on losses, in which event we

would bear the risk of launch failures. Even if a lost satellite is fully insured, acquiring a replacement satellite may be difficult and time consuming and could delay the deployment of Iridium NEXT. Furthermore, launch insurance does not cover lost revenue.

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

Since we introduced commercial services in 2001, we have experienced nine satellite losses, most recently in August 2012. Eight of our satellites have failed in orbit, which has resulted in either the complete loss of the affected satellites or the loss of the ability of the satellite to carry traffic on the network, and one satellite was lost as a result of a collision with a non-operational Russian satellite. Also, our satellites have already exceeded their original design lives. While actual useful life typically exceeds original design life, the useful lives of our satellites may be shorter than we expect, and additional satellites may fail or collide with space debris or other satellites in the future. Although to date we have had an in-orbit spare available to replace each lost satellite, we can provide no assurance that our in-orbit spare satellites will be sufficient to replace all future lost satellites, that we will be able to replace them in a timely manner, or that the spare satellite will provide the same level of performance as the lost satellite. As a result, while we expect our current constellation to provide a commercially acceptable level of service through the transition to Iridium NEXT, we cannot guarantee it will be able to do so. In-orbit failure may result from various causes, including component failure, loss of power or fuel, inability to control positioning of the satellite, solar or other astronomical events, including solar radiation and flares, and space debris. Other factors that could affect the useful lives of our satellites include the quality of construction, gradual degradation of solar panels and the durability of components. Radiation-induced failure of satellite components may result in damage to or loss of a satellite before the end of its expected life. As our constellation has aged, some of our satellites have experienced individual component failures affecting their coverage or transmission capacity and other satellites may experience such failures in the future, which could adversely affect the reliability of their service or result in total failure of the satellite. As a result, fewer than 66 of our current in-orbit satellites are fully functioning at any time. Although we do not incur any direct cash costs related to the failure of a satellite, if a satellite fails, we record an impairment charge in our statement of operations reflecting the remaining net book value of that satellite to zero, and any such impairment charges could significantly depress our net income for the period in which the failure occurs.

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

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

Our agreements with U.S. government customers, particularly the DoD, which represent a significant portion of our revenue, are subject to change or termination.

The U.S. government, through a dedicated gateway owned and operated by the DoD, has been and continues to be, directly and indirectly, our largest customer, representing 23% of our revenue for the year ended December 31, 2011 and 20% of our revenue for the nine months ended September 30, 2012. We provide the majority of our services to the U.S. government pursuant to two contracts, both of which were entered into in April 2008, that provide for a one-year base term and up to four additional one-year options exercisable at the election of the U.S. government. Although the U.S. government has exercised the fourth additional one-year term for both contracts, which extended the term through March 2013, the U.S. government may terminate these agreements, in whole or in part, at any time. If the U.S. government terminates its agreements with us or fails to renew such agreements, we would lose a significant portion of our revenue.

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

We are dependent on intellectual property licensed from third parties to operate our constellation and sell our devices and for the enhancement of our existing products and services.

We license critical system technology, including software and systems, to operate and maintain our network as well as technical information for the design, manufacture and sale of our devices. This intellectual property is essential to our ability to continue to operate our constellation and sell our services, handsets and data devices. In addition, we are dependent on third parties to develop enhancements to our current products and services even in circumstances where we own the intellectual property. If any third-party owner of such intellectual property were to terminate any license agreement or cease to support and service this technology or perform development on our behalf, or if we are unable to renew such licenses on commercially reasonable terms or at all, it may be difficult, more expensive or impossible to obtain such services from alternative vendors. Any substitute technology may also be costly to develop and integrate, and have lower quality or performance standards, which would adversely affect the quality of our products and services. In connection with the design, manufacture and operation of Iridium NEXT and related ground infrastructure and the development of new products and services to be offered on Iridium NEXT, we may be required to obtain additional intellectual property rights from third parties. We can offer no assurance that we will be able to obtain such intellectual property rights on commercially reasonable terms or at all. If we are unable to obtain such intellectual property rights or are unable to obtain such rights on commercially reasonable terms, we may not complete Iridium NEXT and related ground infrastructure on budget or at all or may not be able to develop new products and services to be offered on Iridium NEXT.

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

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

As we and our distributors expand our offerings to include more consumer-oriented devices, we are more likely to be subject to product liability claims or recalls, which could adversely affect our business and financial performance.

Through our network of distributors, we offer several products and services aimed at individual consumers, and we and our distributors continue to introduce more such products and services. These products and services, such as satellite handsets, personal locator devices and location-based services, may be used in isolated and dangerous locations, including emergency response situations, and users who suffer property damage, personal injury or death while using the product or service may seek to assert claims against us. We seek to limit our exposure to such claims through appropriate disclosures, indemnification provisions and disclaimers, but these steps may not be effective. We also maintain product liability insurance, but this insurance may not cover any particular claim, or the amount of insurance may be inadequate to cover the claims brought against us. Product liability insurance could become more expensive and difficult to maintain and might not be available on acceptable terms or at all. In addition, it is possible that our products would become the subject of a mandatory product recall as a result of a product defect, or that we might voluntarily conduct a recall. We do not maintain recall insurance, so any recall could have a significant effect on our financial results. In addition to the direct expenses of product liability claims and recalls, a claim or recall might cause us adverse publicity, which could harm our reputation and compromise our ability to sell our products in the future.

The collection, storage, transmission, use and disclosure of user data and personal information could give rise to liabilities or additional costs as a result of laws, governmental regulations and evolving views of personal privacy rights.

We transmit, and in some cases store, end-user data, including personal information. In jurisdictions around the world, personal information is becoming increasingly subject to legislation and regulations intended to protect consumers' privacy and security. The interpretation of privacy and data protection laws and regulations regarding the collection, storage, transmission, use and disclosure of such information in some jurisdictions is unclear and evolving. These laws may be interpreted and applied in conflicting ways from country to country and in a manner that is not consistent with our current data protection practices. Complying with these varying international requirements could cause us to incur additional costs and change our business practices. Because our services are accessible in many foreign jurisdictions, some of these jurisdictions may claim that we are required to comply with their laws, even where we have no local entity, employees or infrastructure. We could be forced to incur significant expenses if we were required to modify our products, our services or our existing security and privacy procedures in order to comply with new or expanded regulations.

In addition, if end users allege that their personal information is not collected, stored, transmitted, used or disclosed appropriately or in accordance with our privacy policies or applicable laws, we could have liability to them. Any failure on our part to protect end user's privacy and data could result in a loss of user confidence, hurt our reputation and ultimately result in the loss of users.

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

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

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

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

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

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

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

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

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

We do not maintain in-orbit insurance covering losses that might arise as a result of a satellite failure or other operational problems affecting our constellation. The terms of the Credit Facility, however, will require us to obtain and maintain such insurance for the Iridium NEXT satellites for a period of 12 months after launch. We may not be able to obtain such insurance on acceptable terms, or at all. If we are not able to obtain in-orbit insurance, we may be unable to obtain a waiver, which would trigger an event of default and would likely accelerate repayment of all outstanding borrowings. Even if we obtain in-orbit insurance in the future, the coverage may not be sufficient to compensate us for satellite failures and other operational problems affecting our satellites, as it may either contain large deductible amounts or provide reimbursement only after a specified number of satellite failures. As a result, a failure of one or more of our satellites or the occurrence of equipment failures and other related problems could constitute an uninsured loss and could harm our financial condition.

We may be negatively affected by current global economic conditions.

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about current global economic conditions poses a risk as individual consumers, businesses and governments may postpone spending in response to tighter credit, negative financial news, declines in income or asset values or budgetary constraints. Reduced demand would cause a decline in our revenue and make it more difficult for us to operate profitably, potentially compromising our ability to pursue our business plan. While we expect the number of our subscribers and revenue to continue to grow, we expect the future growth rate will be slower than our historical growth and may not continue in every quarter of every year. We expect our future growth rate will be affected by the current economic slowdown, increased competition, maturation of the satellite communications industry and the difficulty in sustaining high growth rates as we increase in size. Any substantial appreciation of the U.S. dollar may also negatively affect our growth by increasing the cost of our products and services in foreign countries.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We are subject to the reporting requirements of the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations of the NASDAQ Stock Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. We perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Annual Reports on Form 10-K, as required by Section 404 of the Sarbanes-Oxley Act. If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements, and we may conclude that our internal controls over financial reporting are not effective. If that were to happen, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities.

Maintaining effective internal controls over financial reporting is necessary for us to produce reliable financial statements. Through the execution of our internal controls over financial reporting in connection with the preparation of this quarterly report, management discovered an error caused by a previously existing material weakness in internal controls over financial reporting relating to accounting for income taxes. This material weakness led to the need for the restatement of our financial statements for the years ended December 31, 2009, 2010 and 2011 and for the quarters ended December 31, 2009 through December 31, 2011, which restatement will occur after the filing of this report. If we do not successfully remediate this material weakness or fail to otherwise maintain effective controls over financial reporting in the future, it could result in a material misstatement of our financial statements that would not be prevented or detected on a timely basis and which could cause investors and other users to lose confidence in our financial statements.

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

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

The provision of satellite-based services and products is subject to downward price pressure when capacity exceeds demand or as a result of aggressive discounting by some operators under financial pressure to expand their respective market share. In addition, we may face competition from new competitors, new technologies or new equipment. For example, we may face competition for our land-based services in the United States from incipient ancillary terrestrial component, or ATC, service providers who are currently raising capital and designing a satellite operating business and a terrestrial component around their spectrum holdings. In addition, some of our competitors have announced plans for the launch of additional satellites. As a result of competition, we may not be able to successfully retain our existing customers and attract new customers.

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

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

Some of the hardware and software we use in operating our gateway was designed and manufactured over ten years ago, and portions are becoming obsolete. As they continue to age, they may become less reliable and will be more difficult and expensive to service, upgrade or replace. Although we maintain inventories of some spare parts, it nonetheless may be difficult or impossible to obtain all necessary replacement parts for the hardware. Our business plan contemplates updating or replacing some of the hardware and software in our network, but the age of our existing hardware and software may present us with technical and operational challenges that complicate or otherwise make it infeasible to carry out our planned upgrades and replacements, and the expenditure of resources, both from a monetary and human capital perspective, may exceed our estimates. If we are not able to suitably upgrade and replace our equipment, obsolescence of the technologies that we use could hurt our ability to provide our services and therefore to generate revenue.

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

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

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

In February 2003, the FCC adopted rules that permit satellite service providers to establish ATC networks. In July 2010, the FCC initiated a notice of inquiry to consider revising these rules. ATC frequencies are designated in previously satellite-only bands. The implementation of ATC services by satellite service providers in the United States or other countries may result in increased competition for the right to use L-band spectrum in the 1.6 GHz band, which we use to provide our services, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. In addition, the FCC's decision to permit ATC services was based on assumptions relating to the level of interference that the provision of ATC services would likely cause to other satellite service providers that use the L-band spectrum. If the FCC's assumptions prove inaccurate, or the level of ATC services provided exceeds those estimated by the FCC, ATC services could interfere with our satellites and devices, which may adversely affect our services. Outside the United States, other countries have implemented or are considering implementing regulations to facilitate ATC-like services.

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

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

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

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

In addition, we may lose distributors due to competition, consolidation, regulatory developments, business developments affecting our distributors or their customers or for other reasons. In 2009, one of our largest competitors, Inmarsat, acquired our then largest distributor, Stratos Global Wireless, Inc. We cannot provide assurance that Inmarsat will dedicate the same level of effort to distributing our products and services as did Stratos or even that they will continue to do so at all. Any future consolidation of our distributors would further increase our reliance on a few key distributors of our services and the amount of volume discounts that we may have to give such

distributors. Our two largest distributors, Astrium and Inmarsat, represented 11% and 10%, respectively, of our revenue for the year ended December 31, 2011, and our ten largest distributors represented, in the aggregate, 47% of our revenue for the year ended December 31, 2011. The loss of any of these distributors, or a decrease in the level of effort expended by any of them to promote our products and services, could reduce the distribution of our products and services as well as the development of new products and applications.

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

We rely on two single-source contracts to manufacturer our current devices, including our mobile handsets, L-Band transceivers and short-burst data devices. Either of these manufacturers may choose to terminate its business relationship with us when its current contractual obligations are completed, or at such earlier time as contemplated by our current agreement. If a manufacturer terminates its relationship with us, we may not be able to find a replacement supplier in a timely manner, at an acceptable price, or at all. We are highly dependent on these manufacturers' performance as the sole suppliers of our devices. We also utilize sole source suppliers for certain component parts of our devices.

These manufacturers and suppliers may become capacity constrained as a result of a surge in demand, a natural disaster or other event, resulting in a shortage or interruption in supplies or an inability to meet increased demand. Although we might be able to replace sole source suppliers, there could be a substantial period of time in which our products would not be available; any new relationship may involve higher costs and delays in development and delivery, and we might encounter technical challenges in successfully replicating the manufacturing processes. If our manufacturers or suppliers terminate their relationships with us, fail to provide equipment or services to us on a timely basis or fail to meet our performance expectations, we might be unable to provide products or services to our customers in a competitive manner, which could in turn negatively affect our financial results and our reputation.

In addition, we depend on Boeing to provide operations and maintenance services with respect to our satellite network, including engineering, systems analysis, integration and testing of new equipment and operations and maintenance services, from our technical support center in Chandler, Arizona and our satellite network operations center in Leesburg, Virginia. Boeing provides these services pursuant to the amended and restated operations and maintenance agreement, or the O&M Agreement, by and between our indirect wholly owned subsidiary Iridium Constellation LLC and Boeing, the term of which is concurrent with the expected operating life of our current constellation. Technological competence is critical to our business and depends, to a significant degree, on the work of technically skilled personnel, such as our Boeing contractors. If Boeing's performance falls below expected levels or if Boeing has difficulties retaining the personnel servicing our network, the operations of our satellite network could be compromised. In addition, if Boeing terminates its agreement with us, we may not be able to find a replacement provider on favorable terms or at all, which could impair the operations and performance of our network. Replacing Boeing as the operator of our satellite system could also trigger de-orbit rights held by the U.S. government, which, if exercised, would eliminate our ability to offer satellite communications services altogether.

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

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

- subject us to significant liabilities to third parties, including treble damages;
- require disputed rights to be licensed from a third party for royalties that may be substantial;
- require us to cease using technology that is important to our business; or
- prohibit us from selling some or all of our products or offering some or all of our services.

Conducting and expanding our operations outside the United States creates numerous risks; these risks may harm our operations and our ability to expand our geographic operations.

We have significant operations outside the United States. According to our estimates, commercial data traffic originating outside the United States, excluding Iridium OpenPort traffic, accounted for 70% of total commercial data

traffic for the year ended December 31, 2011, while commercial voice traffic originating outside the United States, excluding Iridium OpenPort traffic, accounted for 90% of total commercial voice traffic for the year ended December 31, 2011. We cannot provide the precise geographical distribution of revenue from end-users because we do not contract directly with them. Instead, we determine the country in which we earn our revenue based on where we invoice our distributors. These distributors sell services directly or indirectly to end-users, who may be located or use our products and services elsewhere. We and our distributors are also seeking authorization to sell our services in other countries.

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

- difficulties in penetrating new markets due to established and entrenched competitors;
- difficulties in developing products and services that are tailored to the needs of local customers;
- lack of local acceptance or knowledge of our products and services;
- lack of recognition of our products and services;
- unavailability of or difficulties in establishing relationships with distributors;
- significant investments, including the development and deployment of dedicated gateways, as certain countries require physical gateways within their jurisdiction to connect the traffic coming to and from their territory;
- instability of international economies and governments;

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

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

· difficulties in obtaining required regulatory authorizations;

· difficulties in enforcing legal rights in other jurisdictions;

· local domestic ownership requirements;

· requirements that certain operational activities be performed in-country;

· changing and conflicting national and local regulatory requirements; and

· foreign currency exchange rates and exchange controls.

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

Government organizations, foreign military and intelligence agencies, natural disaster aid associations and event-driven response agencies use our commercial voice and data satellite communications services. Accordingly, we may experience reductions in usage due to changing global circumstances, including as a result of the resolution of the conflicts in Afghanistan and Iraq, or continued reductions in U.S. and foreign personnel in those countries.

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

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

Our ability to provide service in certain regions is limited by local regulations as some countries, including Russia and China, have specific regulatory requirements such as local domestic ownership requirements or requirements for physical gateways within their jurisdiction to connect traffic coming to and from their territory. While we have had discussions with parties in these countries to satisfy these regulatory requirements, we may not be able to find an acceptable local partner or reach an agreement to develop additional gateways, or the cost of developing and deploying such gateways may be prohibitive, which could impair our ability to expand our product and service offerings in such areas and undermine our value for potential users who require service in these areas. Also, other countries where we already provide service may impose similar requirements, which could restrict our ability to continue to provide service in such countries. The inability to offer to sell our products and services in all major international markets could impair our international growth. In addition, the construction of such gateways in foreign countries may trigger and require us to comply with various U.S. regulatory requirements which may be in tension with or contravene the laws or regulations of the local jurisdiction. Such tensions could limit, delay or otherwise interfere with our ability to construct gateways or other infrastructure or network solutions around the world.

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

When Iridium Satellite purchased the assets of Iridium LLC out of bankruptcy, Boeing, Motorola and the U.S. government required specified de-orbit rights as a way to control potential liability risk arising from future operation of the constellation, and provide an obligation of the U.S. government to indemnify Motorola. As a result, an Indemnification Agreement was entered into among Iridium Satellite, Boeing, Motorola and the U.S. government, as subsequently amended in September 2010, which we refer to as the Indemnification Agreement, giving the U.S. government the right to, in its sole discretion, require us to de-orbit our constellation in the event of (a) Iridium Satellite's failure to maintain certain insurance and pay certain insurance premiums; (b) Iridium Satellite's bankruptcy; (c) Iridium Satellite's sale or the sale of any major asset in our satellite system; (d) Boeing's replacement as the operator of our satellite system; (e) Iridium Satellite's failure to provide certain notices as contemplated by the Indemnification Agreement; or (f) at any time after January 1, 2015. Prior to the September 2010 amendment of the Indemnification Agreement, the U.S. government had the right to require us to de-orbit our constellation at any time after June 5, 2009. Pursuant to the September 2010 amendment, the U.S. government may withdraw its agreement to postpone the exercise of its de-orbit right (i) on or after January 1, 2015; (ii) if Iridium Satellite violates any terms of the Indemnification Agreement or fails to comply with any terms of the September 2010 amendment; (iii) if more than four satellites have insufficient fuel to execute a 12-month de-orbit; (iv) if Iridium Satellite fails to comply with the de-boost plans; (v) upon a finding by the FCC, not remedied by Iridium Satellite in the time set forth by the FCC, that Iridium Satellite has failed to comply with the terms of the Iridium Orbital Debris Mitigation Plan filed with the FCC and then in effect; (vi) upon the cancellation, non-renewal or refusal to provide any insurance required by the Indemnification Agreement; and (vii) upon the termination or completion of the current or any successor agreement between Iridium Satellite and the DoD pursuant to which Iridium Satellite provides mobile satellite services to the DoD. The U.S. government also has the right to require us to de-orbit any of our individual functioning satellites, including in-orbit spares, that have been in orbit for more than seven years, unless the U.S. government grants a postponement. All of our functioning satellites have been in orbit for more than seven years.

Motorola Solutions, as successor to Motorola, also has the right to require us to de-orbit our constellation pursuant to the TSA and pursuant to the O&M Agreement. Under these agreements, Motorola Solutions may require the de-orbit of our constellation upon the occurrence of any of the following: (a) the bankruptcy of our company, Iridium Holdings, Iridium Constellation or Iridium Satellite; (b) Iridium Satellite's breach of the TSA; (c) Boeing's breach of the O&M Agreement or a related agreement between Boeing and Motorola Solutions; (d) an order from the U.S. government requiring the de-orbiting of our satellites; (e) Motorola Solutions' determination that changes in law or regulation may require it to incur specified costs relating to the operation, maintenance, re-orbiting or de-orbiting of our constellation; or (f) our failure to obtain, on commercially reasonable terms, product liability insurance to cover Motorola Solutions' position as manufacturer of the satellites, provided the U.S. government has not agreed to cover what would have otherwise been paid by such policy.

Pursuant to the O&M Agreement, Boeing similarly has the unilateral right to de-orbit our constellation upon the occurrence of any of the following events: (a) Iridium Constellation's failure to pay Boeing in accordance with the terms of the O&M Agreement; (b) Iridium Constellation's or Iridium Satellite's bankruptcy; (c) Iridium Constellation's failure to maintain certain insurance policies; (d) a default by Iridium Constellation under the O&M Agreement; or (e) changes in law or regulation that may increase the risks or costs associated with the operation or de-orbit process or the cost of operation or de-orbit of the constellation.

We cannot guarantee that the U.S. government, Motorola Solutions or Boeing will not unilaterally exercise their de-orbiting rights upon the occurrence of any of the above events. If we were required to de-orbit our constellation, we would be unable to continue to provide mobile satellite communications services.

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

Pursuant to an amended and restated transition services, products and asset agreement, or the TSA, with Motorola, and pursuant to the Indemnification Agreement, we are required to maintain an in-orbit liability insurance policy with a de-orbiting endorsement. The current policy together with the de-orbiting endorsement covers amounts that we and other named parties may become liable to pay for bodily injury and property damages to third parties related to processing, maintaining and operating our satellite constellation and, in the case of the de-orbiting endorsement, de-orbiting our satellite constellation. The current policy has a one-year term, which expires on December 8, 2012, and excludes coverage for all third-party damages relating to the 2009 collision of our satellite with a non-operational Russian satellite. The price, terms and availability of insurance have fluctuated significantly since we began offering commercial satellite services. The cost of obtaining insurance can vary as a result of either satellite failures or general conditions in the insurance industry. Higher premiums on insurance policies would increase our cost. In-orbit liability insurance policies on satellites may not continue to be available on commercially reasonable terms or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and additional policy exclusions. For example, our current de-orbit insurance covers only twelve months from attachment and therefore would not cover losses arising outside that timeframe. As described in the immediately preceding risk factor, our failure to renew our current in-orbit liability insurance policy or obtain a replacement policy would trigger

de-orbit rights held by the U.S. government and Boeing, which, if exercised, would eliminate our ability to provide mobile satellite communications services. In addition, even if we continue to maintain an in-orbit liability insurance policy, the coverage may not protect us against all third-party losses, which could be material.

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

In addition to our in-orbit liability insurance policy, we are required under the Indemnification Agreement to purchase product liability insurance to cover potential liability of Motorola Solutions, as the manufacturer of the satellites in our current constellation. We may not in the future be able to renew this product liability coverage on reasonable terms and conditions, or at all. Any failure by us to maintain this insurance could increase our exposure to third-party damages that may be caused by any of our satellites. As described above, if we are unable to obtain such insurance on commercially reasonable terms and the U.S. government has not agreed to cover the amounts that would have otherwise been paid by such insurance, Motorola Solutions could invoke its de-orbit rights which, if exercised, would eliminate our ability to provide mobile satellite communications services.

Wireless devices' radio frequency emissions are the subject of regulation and litigation concerning their environmental effects, which includes alleged health and safety risks. As a result, we may be subject to new regulations, demand for our services may decrease, and we could face liability based on alleged health risks.

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

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

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

Our ownership and operation of a satellite communications system and the sale of products that operate on that system are subject to significant regulation in the United States by the FCC and in foreign jurisdictions by similar local authorities. The rules and regulations of the FCC or these foreign authorities may change, and such authorities may adopt regulations that limit or restrict our operations as presently conducted or as we plan to conduct such operations. Such authorities may also make changes in the licenses of our competitors that affect our spectrum. Such changes may significantly affect our business. Further, because regulations in each country are different, we may not be aware if

some of our distribution partners and/or persons with which we or they do business do not hold the requisite licenses and approvals. Failure to provide services in accordance with the terms of our licenses or failure to operate our satellites or ground stations as required by our licenses and applicable laws and government regulations could result in the imposition of government sanctions on us, including the suspension or cancellation of our licenses. Failure or delay in obtaining the approvals required to operate in other countries would limit or delay our ability to expand our operations into those countries. Failure to obtain homologation certifications or other industry standard certifications for our products could compromise our ability to generate revenue and conduct our business in other countries. Any imposition of sanctions, loss of license or failure to obtain the authorizations necessary to use our assigned radio frequency spectrum and to distribute our products in the United States or foreign jurisdictions could cause us to lose sales, hurt our reputation and impair our ability to pursue our business plan.

In addition, one of our subsidiaries, Iridium Carrier Services LLC, holds a common carrier radio license and is thus subject to regulation as a common carrier, including limitations and prior approval requirements with respect to direct or indirect foreign ownership. A change in the manner in which we provide service or a failure to comply with common carrier regulations or pay required fees can result in sanctions including fines, loss of authorizations, or the denial of applications for new authorizations or the renewal of existing authorizations.

Security and emergency services regulations in the U.S. and other countries may affect our ability to operate our system and to expand into new markets.

Our operations are subject to regulations of the U.S. State Department's Office of Defense Trade Controls relating to the export of satellites and related technical data, the U.S. Treasury Department's Office of Foreign Assets Control relating to transactions involving entities sanctioned by the United States, and the U.S. Commerce Department's Bureau of Industry and Security relating to our handsets. We are also required to provide U.S. and some foreign government law enforcement and security agencies with call interception services, and related government assistance, in respect of which we face legal obligations and restrictions in various jurisdictions. Given our global operations and unique network architecture, these requirements and restrictions are not always easy to harmonize. In addition, some countries require providers of telecommunications services to connect specified emergency numbers to local emergency services. We have discussed and continue to discuss with authorities in various countries the procedures used to satisfy our obligations, and have had to, and may in the future need to, obtain amendments or waivers to licenses or obligations in various countries. Countries are not obligated to grant requested amendments or waivers, and there can be no assurance that relevant authorities will not suspend or revoke our licenses or take other legal actions to attempt to enforce the requirements of their respective jurisdictions.

These U.S. and foreign obligations and regulations may limit or delay our ability to offer products and services in a particular country. As new laws and regulations are issued, we may be required to modify our business plans or operations. In addition, changing and conflicting national and local regulatory requirements may cause us to be in compliance with local requirements in one country, while not being in compliance with the laws and regulations of another. If we fail to comply with regulations in the United States or any other country, we could be subject to sanctions that could make it difficult or impossible for us to operate in the United States or such other country.

If the FCC revokes, modifies or fails to renew or amend our licenses our ability to operate will be harmed or eliminated.

We hold FCC licenses, specifically a license for our current satellite constellation, licenses for our U.S. gateway and other ground facilities and blanket earth station licenses for U.S. government customers and commercial subscribers, that are subject to revocation if we fail to satisfy specified conditions or to meet prescribed milestones. The FCC licenses are also subject to modification by the FCC. Our satellite constellation, U.S. gateway earth station and the U.S. government customer and commercial subscribers' earth station licenses expire between 2013 and 2026. There can be no assurance that the FCC will renew the FCC licenses we hold. If the FCC revokes, modifies or fails to renew or amend the FCC licenses we hold, or if we fail to satisfy any of the conditions of our respective FCC licenses, we may not be able to continue to provide mobile satellite communications services.

Pursuing strategic transactions may cause us to incur additional risks.

We may pursue acquisitions, joint ventures or other strategic transactions, from time to time. We may face costs and risks arising from any such transactions, including integrating a new business into our business or managing a joint venture. These risks may include adverse legal, organizational and financial consequences, loss of key customers and distributors and diversion of management's time.

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

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

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

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

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

The market price of our common stock may be volatile.

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

- failure in the performance of our current or future satellites or a delay in the launch of Iridium NEXT;
- failure to sign hosted payload customers for our Iridium NEXT satellites;
- failure to comply with the terms of the Credit Facility;
- failure to maintain our ability to make draws under the Credit Facility;
- actual or anticipated variations in our operating results, including termination or expiration of one or more of our key contracts, or a change in sales levels under one or more of our key contracts;
- significant stockholders exercising their registration rights and selling a large number of shares of our common stock;
- dilutive effect of outstanding warrants and stock options;
- changes in financial estimates by industry analysts, or any failure by us to meet or exceed any such estimates, or changes in the recommendations of any industry analysts that elect to follow our common stock or the common stock of our competitors;

- actual or anticipated changes in economic, political or market conditions, such as recessions or international currency fluctuations;

- actual or anticipated changes in the regulatory environment affecting our industry;

- changes in the market valuations of our competitors;

- low trading volume; and

- announcements by our competitors regarding significant new products or services or significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives.

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

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

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

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

See the exhibit index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

IRIDIUM COMMUNICATIONS INC.

By: /s/ Thomas J. Fitzpatrick
Thomas J. Fitzpatrick
Chief Financial Officer

(as duly authorized officer and as principal financial officer of the registrant)

Date: November 2, 2012

EXHIBIT INDEX

Exhibit	Description
3.1	Certificate of Designations of Iridium Communications Inc. designating the preferences, limitations, voting powers and relative rights of the 7% Series A Cumulative Perpetual Convertible Preferred Stock, incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on October 3, 2012.
10.1††	Amendment No. 11 to the Full Scale System Development Contract No. IS-10-021 between Iridium Satellite LLC and Thales Alenia Space France for the Iridium NEXT System, dated July 3, 2012.
10.2††	Amendment No. 12 to the Full Scale System Development Contract No. IS-10-021 between Iridium Satellite LLC and Thales Alenia Space France for the Iridium NEXT System, dated July 6, 2012.
10.3††	Amendment No. 1 to the Products and Services Agreement No. AIR-12-001 between Aireon LLC and Harris Corporation Government Communications Systems Division, dated as of July 31, 2012.
10.4††	Amendment No. 2 to the Products and Services Agreement No. AIR-12-001 between Aireon LLC and Harris Corporation Government Communications Systems Division, dated as of September 4, 2012.
10.5††	Supplemental Agreement dated as of August 1, 2012 between Iridium Satellite LLC and Société Générale, as COFACE Agent, amending and restating the COFACE Facility Agreement among Iridium Satellite LLC, the Registrant, Iridium Holdings LLC, SE Licensing LLC, Iridium Carrier Holdings LLC, Iridium Carrier Services LLC, Syncom-Iridium Holdings Corp., Iridium Constellation LLC and Iridium Government Services LLC; Deutsche Bank AG (Paris Branch), Banco Santander SA, Société Générale, Natixis, Mediobanca International (Luxembourg) S.A., BNP Paribas, Crédit Industriel et Commercial, Intesa Sanpaolo S.p.A. (Paris Branch) and Unicredit Bank Austria AG; Deutsche Bank Trust Company Americas as the security agent and U.S. collateral agent; and Société Générale as the COFACE agent, dated as of October 4, 2010.
10.6††	Amendment No. 2 to the Contract for Launch Services No. IS-10-008 between Iridium Satellite LLC and Space Exploration Technologies Corp., effective as of August 1, 2012.
10.7	Purchase Agreement dated September 28, 2012, by and among Iridium Communications Inc. and Raymond James & Associates, Inc., incorporated by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on September 28, 2012.
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002.
32.1*	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(b) and 15d-14(b) promulgated under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to section 906 of The Sarbanes-Oxley Act of 2002.

101**	The following financial information from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed with the Securities and Exchange Commission on November 2, 2012, formatted in XBRL (eXtensible Business Reporting Language):
	(i) Condensed Consolidated Balance Sheets at September 30, 2012 and December 31, 2011;
	(ii) Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2012 and 2011;
	(iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011; and
	(iv) Notes to Condensed Consolidated Financial Statements.

†† Confidential treatment has been requested for certain portions omitted from this exhibit pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended. Confidential portions of this exhibit have been separately filed with the Securities and Exchange Commission.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

** Furnished electronically herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files included in Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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