ORBCOMM Inc.
Form 10-Q
August 09, 2012
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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 June 30, 2012

OR

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

For the transition period from to

Commission File Number 001-33118

ORBCOMM INC.

(Exact name of registrant as specified in its charter)

Delaware	**41-2118289**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2115 Linwood Avenue, Fort Lee, New Jersey 07024

(Address of principal executive offices)

(201) 363-4900

(Registrant s telephone number)

N/A

(Former name, former address and formal fiscal year, if changed since last report)

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

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

Indicate by check mark 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 outstanding of the registrant s common stock as of August 3, 2012 is 46,762,111

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ORBCOMM Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,819	$ 35,061
Restricted cash		1,000
Marketable securities	43,382	45,973
Accounts receivable, net of allowances for doubtful accounts of $330 and $299	11,107	7,946
Inventories	3,254	2,815
Prepaid expenses and other current assets	1,254	1,660
Deferred tax assets	892	912
Total current assets	89,708	95,367
Satellite network and other equipment, net	83,642	79,771
Goodwill	14,553	11,131
Intangible assets, net	8,303	7,125
Restricted cash	2,195	2,220
Deferred tax assets	132	136
Other assets	1,507	1,419
Total assets	$ 200,040	$ 197,169
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 2,272	$ 2,641
Accrued liabilities	9,096	14,127
Current portion of note payable	275	250
Current portion of deferred revenue	2,437	2,099
Total current liabilities	14,080	19,117
Note payable related party	1,434	1,480
Note payable, net of current portion	3,237	3,376
Deferred revenue, net of current portion	1,872	1,570
Deferred tax liabilities	954	823
Other liabilities	949	226
Total liabilities	22,526	26,592
Commitments and contingencies		
Equity:		
ORBCOMM Inc. stockholders equity		
Preferred Stock Series A, par value $0.001; 1,000,000 shares authorized; 174,012 and 186,265 shares issued and outstanding	1,738	1,861

Common stock, par value $0.001; 250,000,000 shares authorized; 46,732,558 and 45,668,527 shares issued	47	46
Additional paid-in capital	247,275	244,543
Accumulated other comprehensive income	1,123	1,352
Accumulated deficit	(72,374)	(76,629)
Less treasury stock, at cost, 29,990 shares at June 30, 2012 and 0 shares at December 31, 2011	(96)	
Total ORBCOMM Inc. stockholders equity	177,713	171,173
Noncontrolling interests	(199)	(596)
Total equity	177,514	170,577
Total liabilities and equity	$ 200,040	$ 197,169

See notes to condensed consolidated financial statements.

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ORBCOMM Inc.

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenues:				
Service revenues	$ 12,418	$ 8,980	$ 23,949	$ 16,377
Product sales	3,901	1,829	8,249	2,315
Total revenues	16,319	10,809	32,198	18,692
Costs and expenses [(1)]:				
Costs of services	4,950	3,775	9,656	7,238
Costs of product sales	2,568	1,366	5,671	1,656
Selling, general and administrative	5,599	4,649	10,940	9,070
Product development	622	281	1,181	455
Acquisition-related costs	210	778	633	1,035
Total costs and expenses	13,949	10,849	28,081	19,454
Income (loss) from operations	2,370	(40)	4,117	(762)
Other income (expense):				
Interest income	23	44	50	98
Other income (expense)	5	(307)	52	(206)
Gain on extinguishment of debt, net of expenses			1,062	
Interest expense	(8)	(78)	(32)	(126)
Total other income (expense)	20	(341)	1,132	(234)
Income (loss) before income taxes	2,390	(381)	5,249	(996)
Income taxes	402	195	796	306
Net income (loss)	1,988	(576)	4,453	(1,302)
Less: Net income (loss) attributable to the noncontrolling interests	106	(35)	162	(30)
Net income (loss) attributable to ORBCOMM Inc.	$ 1,882	$ (541)	$ 4,291	$ (1,272)
Net income (loss) attributable to ORBCOMM Inc. common stockholders	$ 1,865	$ (541)	$ 4,255	$ (1,272)
Per share information-basic:				
Net income (loss) attributable to ORBCOMM Inc.	$ 0.04	$ (0.01)	$ 0.09	$ (0.03)
Per share information-diluted:				
Net income (loss) attributable to ORBCOMM Inc.	$ 0.04	$ (0.01)	$ 0.09	$ (0.03)

Weighted average common shares outstanding:				
Basic	46,706	44,211	46,529	43,472
Diluted	47,146	44,211	47,049	43,472

(1) Stock-based compensation included in costs and expenses:

Costs of services	$ 70	$ 25	$ 114	$ 60
Costs of product sales	1		9	
Selling, general and administrative	352	364	623	589
Product development	43	7	64	10
	$ 466	$ 396	$ 810	$ 659

See notes to condensed consolidated financial statements.

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ORBCOMM Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands)

(Unaudited)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income (loss)	$ 1,988	$ (576)	$ 4,453	$ (1,302)
Other comprehensive income (loss), net of tax-				
Foreign currency translation adjustments	265	89	(190)	(112)
Other comprehensive income (loss)	265	89	(190)	(112)
Comprehensive income (loss)	2,253	(487)	4,263	(1,414)
Less comprehensive income (loss) attributable to noncontrolling interests	(240)	77	(217)	222
Comprehensive income (loss) attributable to ORBCOMM Inc.	$ 2,013	$ (410)	$ 4,046	$ (1,192)

See notes to condensed consolidated financial statements.

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ORBCOMM Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Cash flows from operating activities:		
Net income (loss)	$ 4,453	$ (1,302)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Change in allowance for doubtful accounts	31	(46)
Change in the fair value of acquisition-related contingent consideration	30	
Amortization of the fair value adjustment related to StarTrak warranty liabilities	(148)	
Depreciation and amortization	2,190	2,550
Stock-based compensation	810	659
Foreign exchange gains	(49)	(10)
Amortization of premium on marketable securities	382	801
Increase in fair value of indemnification assets	(34)	
Deferred income taxes	150	65
Gain on extinguishment of debt and accounts payable	(1,214)	
Amortization of transition shared services	106	
Amortization of debt discount for the 6% secured promissory note issued in connection with the acquisition of StarTrak		3
Loss on disposition of other investment in Alanco		305
Accretion on note payable-related party		66
Dividend received in common stock from other investment		(84)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(1,994)	(2,223)
Inventories	833	119
Prepaid expenses and other assets	454	(24)
Accounts payable and accrued liabilities	(1,344)	(315)
Deferred revenue	556	(85)
Other liabilities	(91)	(61)
Net cash provided by operating activities	5,121	418
Cash flows from investing activities:		
Capital expenditures	(8,595)	(3,844)
Purchases of marketable securities	(34,599)	(47,497)
Proceeds from maturities of marketable securities	36,808	59,810
Acquisition of net assets of StarTrak, net of cash acquired of $322		(1,876)
Change in restricted cash	1,025	810
Acquisition of net assets of LMS	(4,000)	
Net cash (used in) provided by investing activities	(9,361)	7,403
Cash flows from financing activities		
Purchase of noncontrolling ownership interests in Satcom International Group plc	(199)	
Repayment of Satcom notes payable	(253)	
Principal payments of note payable	(125)	(200)
Principal payments of capital leases	(228)	
Payment upon exercise of SARs		(24)
Net cash used in financing activities	(805)	(224)

Effect of exchange rate changes on cash and cash equivalents	(197)	95
Net increase (decrease) in cash and cash equivalents	(5,242)	7,692
Cash and cash equivalents:		
Beginning of period	35,061	17,026
End of period	$ 29,819	$ 24,718
Supplemental disclosures of cash flow information:		
Cash paid for		
Interest	$ 110	$
Income taxes	$ 753	$
Supplemental schedule of noncash investing and financing activities		
Noncash investing and financing activities:		
Capital expenditures incurred not yet paid	$ 487	$ 806
Stock-based compensation included in capital expenditures	$ 36	$ 29
Series A convertible preferred stock dividend paid in-kind	$ 36	$
Issuance of common stock in connection with the acquisition of LMS	$ 2,123	$
Issuance of common stock in connection with the purchase of Satcom s shares from noncontrolling ownership interests	$ 1,000	$
AIS satellites accounted for as a capital lease	$ 903	$
Acquisition-related contingent consideration	$ 740	$
Common stock redeemed in treasury stock from closing of escrow agreement	$ 96	$
Adjustment to StarTrak warranty liabilities from finalizing the purchase price allocation	$ 523	$
6% secured promissory note issued in connection with the acquisition of StarTrak	$	$ 3,812
Series A convertible preferred stock issued in connection with the acquisition of StarTrak	$	$ 1,834
Common stock issued in connection with the acquisition of StarTrak	$	$ 8,349
Cost method investment in Alanco delivered back to Alanco in connection with the acquisition of StarTrak	$	$ 2,050
Gateway and components recorded in inventory in prior years which were used for construction under satellite network and other equipment	$ 31	$ 53
Common stock issued as a form of payment for bonus	$	$ 125

See notes to condensed consolidated financial statements.

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ORBCOMM Inc.

Condensed Consolidated Statements of Changes in Equity

Six months ended June 30, 2012 and 2011

(in thousands, except share data)

(Unaudited)

	Series A convertible Preferred stock Shares	Series A convertible Preferred stock Amount	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Treasury stock Shares	Treasury stock Amount	Noncontrolling interests	Total equity
Balances, January 1, 2012	186,265	$ 1,861	45,668,527	$ 46	$ 244,543	$ 1,352	$ (76,629)			$ (596)	$ 170,577
Vesting of restricted stock units			120,000								
Stock-based compensation					846						846
Conversion of Series A convertible preferred stock to common stock	(15,861)	(159)	26,536		159						
Issuance of common stock in connection with the acquisition of LMS			645,162	1	2,122						2,123
Issuance of common stock in connection with the purchase of noncontrolling ownership interests in Satcom			263,133		(395)	16				180	(199)
Common stock redeemed through treasury from closing of escrow agreement								(29,990)	(96)		(96)
Exercise of SARs			9,200								
Series A convertible preferred stock dividend	3,608	36					(36)				
Net income							4,291			162	4,453
Foreign currency translation adjustments						(245)				55	(190)
Balances, June 30, 2012	174,012	$ 1,738	46,732,558	$ 47	$ 247,275	$ 1,123	$ (72,374)	(29,990)	$ (96)	$ (199)	$ 177,514
Balances, January 1, 2011		$	42,616,950	$ 43	$ 234,125	$ 1,126	$ (76,584)			$ (591)	$ 158,119
Vesting of restricted stock units			109,957								
Stock-based compensation					688						688
Common stock issued for payment of bonus			34,115		125						125

Issuance of Series A convertible preferred stock in connection with the acquisition of StarTrak	183,550	1,834								1,834
Issuance of common stock in connection with the acquisition of StarTrak			2,869,172	3	8,346					8,349
Payment upon exercise of SARs					(24)					(24)
Net loss							(1,272)		(30)	(1,302)
Foreign currency translation adjustments						80			(192)	(112)
Balances, June 30, 2011	183,550	$ 1,834	45,630,194	$ 46	$ 243,260	$ 1,206	$ (77,856)	$	$ (813)	$ 167,677

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Overview

ORBCOMM Inc. (ORBCOMM or the Company), a Delaware corporation, is a global wireless data communications company focused on machine-to-machine (M2M) communications. The Company s services are designed to enable businesses and government agencies to track, monitor, control and communicate with fixed and mobile assets. The Company operates a two-way global wireless data messaging system optimized for narrowband data communication. The Company also provides customers with technology to proactively monitor, manage and remotely control refrigerated transportation assets. This technology enables the Company to expand its global technology platform by transferring capabilities across new and existing vertical markets and deliver complementary products to our channel partners and resellers worldwide. The Company provides these services through a constellation of 27 owned low-Earth orbit, or LEO satellites, 2 AIS microsatellites and accompanying ground infrastructure, and also provides terrestrial-based cellular communication services through reseller agreements with major cellular wireless providers. The Company s satellite-based system uses small, low power, fixed or mobile satellite subscriber communicators (Communicators) for connectivity, and cellular wireless subscriber identity modules, or SIMS, are connected to the cellular wireless providers networks, with data gathered over these systems is capable of being connected to other public or private networks, including the Internet (collectively, the ORBCOMM System).

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to SEC rules. These financial statements should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2011.

In the opinion of management, the financial statements as of June 30, 2012 and for the three and six-month periods ended June 30, 2012 and 2011 include all adjustments (including normal recurring accruals) necessary for a fair presentation of the consolidated financial position, results of operations and cash flows for the periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

The financial statements include the accounts of the Company, its wholly-owned and majority-owned subsidiaries, and investments in variable interest entities in which the Company is determined to be the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation. The portions of majority-owned subsidiaries that the Company does not own are reflected as noncontrolling interests in the condensed consolidated balance sheets.

Investments in entities over which the Company has the ability to exercise significant influence but does not have a controlling interest are accounted for under the equity method of accounting. The Company considers several factors in determining whether it has the ability to exercise significant influence with respect to investments, including, but not limited to, direct and indirect ownership level in the voting securities, active participation on the board of directors, approval of operating and budgeting decisions and other participatory and protective rights. Under the equity method, the Company s proportionate share of the net income or loss of such investee is reflected in the Company s consolidated results of operations.

Although the Company owns interests in companies that it accounts for pursuant to the equity method, the investments in those entities had no carrying value as of June 30, 2012 and December 31, 2011. The Company has no guarantees or other funding obligations to those entities. The Company had no equity or losses of those investees for the three and six-months ended June 30, 2012 and 2011.

When the Company does not exercise significant influence over the investee the investment is accounted under the cost method.

In June 2011, FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income.* ASU No. 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in equity. In December 2011, the FASB issued ASU No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU No. 2011-05.* ASU No. 2011-12 defers the requirement to present reclassification adjustments from other comprehensive income on the face of the financial statements and allow entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the requirement in effect before ASU No. 2011-05. The guidance, which became effective for the Company on a retrospective basis on January 1, 2012, gives companies the option to present other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Under both alternatives, companies are required to annually present each component of comprehensive income. The adoption of this updated authoritative guidance impacted the presentation of the Company s condensed consolidated statements of comprehensive income, but it did not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

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As of June 30, 2012, the Company has an accumulated deficit of $72,374. The Company s primary source of liquidity consisted of cash, cash equivalents, restricted cash and marketable securities totaling $75,396, which the Company believes will be sufficient to provide working capital and capital expenditures for the next twelve months.

Acquisition costs

Acquisition-related costs directly relate to the acquisitions of StarTrak Systems, LLC (StarTrak) on May 16, 2011 and PAR Logistics Management Systems Corporation (LMS), a wholly-owned subsidiary of PAR Technology Corporation (PAR) on January 12, 2012. These costs include professional services expenses. For the three months ended June 30, 2012 and 2011 acquisition-related costs were $210 and $778, respectively. For the six months ended June 30, 2012 and 2011 acquisition-related costs were $633 and $1,035, respectively.

Fair Value of Financial instruments

Other than the contingent earn-out consideration in connection with the acquisition of LMS (see note 3), the Company has no financial assets or liabilities that are measured at fair value on a recurring basis. However, if certain triggering events occur the Company is required to evaluate the non-financial assets for impairment and any resulting asset impairment would require that a non-financial asset be recorded at the fair value. FASB Topic ASC 820 *Fair Value Measurement Disclosure* , prioritizes inputs used in measuring fair value into a hierarchy of three levels: Level 1- unadjusted quoted prices for identical assets or liabilities traded in active markets, Level 2- inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and Level 3- unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions that market participants would use in pricing.

The carrying value of the Company s financial instruments, including cash, accounts receivable, note receivable and accounts payable approximated their fair value due to the short-term nature of these items. The fair value of the Note payable-related party is de minimis.

The carrying value of the 6% secured promissory note payable approximates the fair value based on: (i) comparable loan indices with similar structure and credit and (2) comparable companies.

Marketable securities

Marketable securities consist of debt securities including U.S. government and agency obligations, corporate obligations and FDIC-insured certificates of deposit, which have stated maturities ranging from three months to less than one year. The Company classifies these securities as held-to-maturity since it has the positive intent and ability to hold until maturity. These securities are carried at amortized cost. The changes in the fair value of these marketable securities, other than impairment charges, are not reported in the consolidated financial statements. The fair value of the Company s marketable securities approximates their carrying value (See Note 7).

Concentration of credit risk

The Company s customers are primarily commercial organizations. Accounts receivable are generally unsecured.

Accounts receivable are due in accordance with payment terms included in contracts negotiated with customers. Amounts due from customers are stated net of an allowance for doubtful accounts. The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts are past due, the customer s current ability to pay its obligations to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they are deemed uncollectible.

The following table presents customers with revenues greater than 10% of the Company s consolidated total revenues for the periods shown:

	Three Months ended June 30,		Six Months ended June 30,	
	2012	**2011**	**2012**	**2011**
Caterpillar Inc.	19.0%	22.9%	18.8%	23.6%
Komatsu Ltd.	12.1%	15.5%	11.8%	16.8%
Hitachi Construction Machinery Co., Ltd.	10.3%	*	10.6%	10.1%

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The following table presents customers with accounts receivable greater than 10% of the Company s consolidated accounts receivable for the periods shown:

	June 30, 2012	December 31, 2011
Caterpillar Inc.	28.5%	37.4%
Asset Intelligence	*	10.1%

* Balances are less than 10% of consolidated revenues or accounts receivable.

The Company does not currently maintain in-orbit insurance coverage for its satellites to address the risk of potential systemic anomalies, failures or catastrophic events affecting its satellite constellation. If the Company experiences significant uninsured losses, such events could have a material adverse impact on the Company s business.

Inventories

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. Inventory consists primarily of raw materials and purchased parts to be utilized by its contract manufacturer. The Company reviews inventory quantities on hand and evaluates the realizability of inventories and adjusts the carrying value as necessary based on forecasted product demand. A provision is made for potential losses on slow moving and obsolete inventories when identified.

Warranty costs

The Company accrues for one-year warranty coverage on product sales estimated at the time of sale based on historical costs to repair or replace products for customers compared to historical product revenues. The warranty accrual is included in accrued liabilities.

3. Acquisitions

LMS

Effective on the close of business on January 12, 2012, the Company completed the acquisition of the assets of LMS, including but not limited to, accounts receivable, inventory, equipment, intellectual property, all of LMS s rights to customer contracts, supplier lists and assumed certain liabilities pursuant to an Asset Purchase Agreement dated as of December 23, 2011. As this acquisition was effective on January 12, 2012, the results of operations of LMS are included in the condensed consolidated financial statements beginning January 13, 2012.

The consideration paid by the Company to PAR on closing to acquire LMS consisted of $4,000 in cash, subject to a final working capital adjustment specified in the Asset Purchase Agreement and the issuance of 645,162 shares of the Company s common stock, of which 387,097 shares of common stock were placed into an escrow account for up to fifteen months from closing to fund any indemnification obligations to the Company, including for breaches of representations and warranties made by PAR.

In addition to the consideration paid at closing, the Asset Purchase Agreement provides for contingent payments of up to $3,950 payable post-closing by the Company to PAR. Up to $3,000 of the contingent payments will be payable based on achieving subscriber targets for calendar year 2012. Up to $950 of the contingent payments will be payable based on achieving sales targets for calendar years 2012 through 2014. Any potential earn-out amounts can be paid in common stock, cash or a combination at the Company s option. Any shares of common stock to be issued will be based on the 20-day average closing price ending on the third trading day preceding the date of payment. The potential earn-out amounts for achieving the subscriber and sales targets for calendar year 2012, if earned, will be paid within 30 days after the Company files its Form 10-K for 2012. The potential earn-out amount for achieving sales targets for calendar years 2013 and 2014, if earned, will be paid within 30 days after the Company files its Form 10-K for years 2013 and 2014. At the acquisition date, the Company recorded a liability of $740 for the estimated fair value of the earn-out amounts.

The following table summarizes the preliminary estimated fair values of the purchase price:

Cash	$ 4,000
Issuance of 645,162 shares of common stock (valued at $3.29 per share,which reflects the Company s common stock closing price on January 12, 2012)	2,123
Fair value of contingent earn-out amounts	740
Total	$ 6,863

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Contingent earn-out consideration

The estimated fair value of the contingent earn-out amounts was determined based on the Company s preliminary estimates using weighted probabilities to achieve the subscriber and sales targets for calendar years 2012 through 2014. The Company estimated the fair value of the contingent earn-out amounts using a probability-weighted discounted cash flow models discounted at 19.0%. The Company has recorded a liability for the estimated fair value of the contingent earn-out consideration. The fair value measurements are based on significant inputs not observed in the market and thus represents a Level 3 measurement. Any change in the fair value of the contingent earn-out amounts subsequent to the acquisition date, including changes from events after the acquisition date, will be recognized in earnings in the period the estimated fair value changes. Achievement of the subscriber and sales targets lower than the targets will result in less than the $3,950 being paid out. Achievement below certain thresholds will reduce the liability to zero. For the six months ended June 30, 2012, the fair value of the earn-out amounts was increased by $30. As of June 30, 2012 $256 is included in accrued liabilities and $514 is included in other liabilities in the condensed consolidated balance sheet.

Preliminary Estimated Purchase Price Allocation

The total preliminary estimated purchase price was allocated to the net assets acquired based upon their preliminary estimated fair values as of the close of business on January 12, 2012 as set forth below. The excess of the preliminary purchase price over the preliminary net assets was recorded as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change. The areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain assets and liabilities, including contingent consideration, deferred warranty revenues and warranty liabilities, intangible assets, goodwill and the final working capital adjustment. The preliminary estimated purchase price allocation for the acquisition is as follows:

Accounts receivable	$ 1,211
Inventory	1,388
Transition service asset	114
Other current assets	121
Property, plant and equipment	130
Intangible assets	1,690
Total identifiable assets acquired	4,654
Accrued expenses	(319)
Warranty liabilities	(283)
Deferred warranty revenues	(88)
Total liabilities assumed	(690)
Net identifiable assets acquired	3,964
Goodwill	2,899
Total preliminary purchase price	$ 6,863

Transition Service Asset

In connection with the Asset Purchase Agreement, the Company and PAR entered into a transition services agreement. Under the terms of the transition services agreement for a period of six months from January 13, 2012, (the Initial Term), PAR will provide the Company with certain infrastructure, administrative and support services to assist with supporting the business of LMS. At the end of the Initial Term, the Company has the option to extend the transition services agreement for up two renewal periods of six months each. The fair value of the transition service asset was estimated based on the costs to use the facility owned by PAR and employee services. The transition service asset is being amortized over a six month period. For the three months ended June 30, 2012, amortization expense was $57 of which $15 is recorded in costs of services and $42 is recorded in selling, general and administrative expenses in the condensed consolidated statements of operations. For the six months ended June 30, 2012, amortization expense was $106 of which $27 is recorded in costs of services and $79 is recorded in selling, general and administrative expenses in the condensed consolidated statements of operations. In June 2012, the Company exercised its option to extend the transition services agreement for additional six months.

Intangible Assets

The fair values of the technology and trademarks were estimated using a relief from royalty method under the income approach based on discounted cash flows. The fair value of customer relationships were estimated based on an income approach using the excess earnings method. A discount rate of 20% was selected to reflect risk characteristics of these intangible assets. The discount rate was applied to the projected cash flows associated with the assets in order to value the intangible assets. The remaining useful lives of the technology and trademarks were based on historical product development cycles, the projected rate of technology migration, a market participant s use of these intangible assets and the pattern of projected economic benefit of these intangible assets. The remaining useful lives of customer relationships were based on the customer attrition and the projected economic benefit of these customers.

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	Estimated useful life (in years)	Amount
Customer relationships	10	$ 920
Technology	5	710
Trademarks	2	60
		$ 1,690

Goodwill

The acquisition of LMS will enhance the Company s position in transportation solutions and expands its satellite, terrestrial and dual mode offerings. In addition, the acquisition furthers the Company s growth strategy by enhancing its value-added services while expanding its customer base. Further the acquisition enables the Company to improve economies of scale in manufacturing and service delivery. These factors contributed to a preliminary estimated purchase price resulting in the recognition of goodwill. The acquired goodwill is deductible for income tax purposes.

Warranty liabilities

In connection with the preliminary estimated purchase price allocation, the Company recorded obligations of $283 relating to warranty claims. The fair value of these amounts have not yet been finalized. The Company is currently in the process of determining the extent of any additional warranty obligations during the measurement period. Any changes to this amount during the remainder of the measurement period will be an adjustment to goodwill.

Indemnification Asset

In connection with the asset purchase agreement, the Company entered into an escrow agreement with PAR and an escrow agent. Under the terms of this escrow agreement, 387,097 shares of common stock were issued to PAR and placed in an escrow account for up to fifteen months to fund any indemnification obligations to the Company, including for breaches of representations and warranties made by PAR. Under the terms of the escrow agreement, PAR will retain all rights and privileges of ownership of the common stock placed in the escrow account. Further subject to certain resale restrictions, PAR has the right to sell any of the common stock that was placed in escrow provided that all proceeds of any such sale are deposited directly with the escrow agent. In the event that the Company believes that an indemnity obligation of PAR has arisen under the asset purchase agreement, the Company shall have the right to provide written notice to the escrow agent and PAR setting forth a description of the distribution event and the number of shares of the Company s common stock and or amount of cash to be distributed to the Company from the escrow account. The number of shares of common stock that the Company will direct the escrow agent to release to the Company from the escrow account will equal to the distribution event valued at the 20-day average closing price from January 12, 2012.

In August 2012, the escrow agent shall distribute to PAR shares of common stock valued at the 20-day average closing price from January 12, 2012 of up to a value of (i) $600, less (ii) the aggregate value of all distributions made from the escrow account, less (iii) the aggregate amount claimed in all pending event notices. In April 2013, any remaining shares of common stock and or cash held in escrow shall be distributed to PAR, less the aggregate amount claimed in all pending event notices. As of June 30, 2012, the Company has not recorded an indemnification asset for any indemnity obligations of PAR arising under the asset purchase agreement. The Company will continue to evaluate if there are any indemnity obligations of PAR arising under the asset purchase agreement during the remainder of the measurement period.

Pre-Acquisition Contingencies

The Company has evaluated and continues to evaluate pre-acquisition contingencies related to LMS that existed as of the acquisition date. If these pre-acquisition contingencies that existed as of the acquisition date become probable in nature and can be estimated during the remainder of the measurement period, amounts recorded for such matters will be made in the measurement period and, subsequent to the measurement period, in the Company s results of operations.

StarTrak

The consideration paid to acquire StarTrak was valued at $18,242 consisting of: (i) cash, (ii) forgiveness of the 6% secured promissory note advanced by the Company to Alanco on February 23, 2011, (iii) note payable issued to a lender and stockholder of Alanco, (iv) common stock subject to a final working capital adjustment, which has not yet been finalized, (v) Series A convertible preferred stock and (vi) delivery of the Company s investment in preferred stock and common stock of Alanco back to Alanco.

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Purchase Price Allocation

On May 16, 2011, the purchase price was allocated to the net assets based upon their preliminary estimated fair values at that time. The excess of the preliminary purchase price over the preliminary net assets was recorded as goodwill. Any change to the initial estimates of the assets and liabilities acquired were recorded as adjustments to goodwill throughout the measurement period. The Company finalized the purchase price allocation during the second quarter ended June 30, 2012. As a result, the preliminary estimate of goodwill increased by $523 and warranty liabilities by the same amount from $3,082 to $3,605 which the Company considered insignificant to the consolidated financial statements. Accordingly, the preliminary estimated purchase price allocation as of May 16, 2011 has not been retrospectively adjusted for the final purchase price allocation.

Warranty liabilities and Escrow Agreement

As a result of the acquisition of StarTrak on May 16, 2011, the Company recorded warranty obligations on StarTrak s product sales, which provide for costs to replace or fix the product. One-year warranty coverage is accrued on product sales which provide for costs to replace or fix the product.

In connection with the acquisition, the Company entered into an escrow agreement with Alanco. Under the terms of the escrow agreement, 166,611 shares of common stock were issued to Alanco and placed in an escrow account to cover 50% of certain costs relating to fuel sensor warranty obligations incurred by the Company. In the event that the sum of (i) aggregate warranty expenses (other than for fuel sensors) and (ii) any fuel sensor damages directly expended or accrued on the StarTrak balance sheet from March 1, 2011 through March 1, 2012 exceeds $600, the Company shall have the right to provide written notice to the escrow agent and Alanco setting forth a description of the fuel sensor distribution event and the number of shares of the Company s common stock to be distributed to the Company from the escrow account. The number of shares of common stock that the Company will direct the escrow agent to release to the Company from the escrow account will equal 50% of the fuel sensor damages (excluding the amount of damages that when added to the non-fuel sensor damages equals $600) incurred or suffered from June 1, 2011 through March 1, 2012, valued at $3.001 per share. The Company is in the process of finalizing the arrangement. As a result, the Company has recorded $304 relating to the escrow agreement as an indemnification asset, which is included in other assets. For the three months ended June 30, 2012, the Company recorded a loss of $62 and for the six months ended June 30, 2012 recorded a gain of $28 on the fair value of the common stock held in escrow, which is recorded in selling, general and administrative expenses in the condensed consolidated statements of operations.

Patent infringement liability and Escrow Agreement

In connection with the acquisition, the Company entered into an escrow agreement with Alanco. Under the terms of the escrow agreement, 249,917 shares of common stock were issued to Alanco and placed in an escrow account to cover 50% of any damages relating to the Innovative Global Systems LLC patent infringement action incurred or suffered by the Company which was settled in May 2011 for $155. As a result, the Company recorded $75 relating to this escrow agreement as an indemnification asset, which was included in prepaid expenses and other current assets. On May 3, 2012, the Company and Alanco agreed to distribute the 249,917 shares of the Company s common stock from the escrow of which 29,990 shares of the common stock were distributed back to the Company and the remaining 219,927 shares of common stock were distributed to Alanco. The Company recorded the 29,990 shares of common stock into treasury at $3.20 per share and derecognized the balance of the indemnification asset in its condensed consolidated balance sheet. For the three months ended June 30, 2012, the Company recorded a loss of $17 and for the six months ended June 30, 2012 recorded a gain of $6 on the fair value of the common stock held in escrow, which is recorded in selling, general and administrative expenses in the condensed consolidated statements of operations.

Pro Forma Results for the Acquisitions of LMS and StarTrak

The following table presents the unaudited pro forma results (including LMS and StarTrak) for the three and six months ended June 30, 2012 and 2011 as though the companies had been combined as of the beginning of each of the periods presented. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each period presented.

The supplemental pro forma revenues, net income (loss) attributable to ORBCOMM Inc. and the net income (loss) attributable to common stockholders for the periods presented in the table below were adjusted to include the amortization of the intangible assets, income tax expense and dividends on the Series A convertible preferred stock calculated from January 1, 2011 to the acquisition dates. Also the supplemental pro forma information was adjusted to exclude acquisition costs and elimination of intercompany transactions.

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The amount of LMS revenues and net loss included in the Company s condensed consolidated statements of operations from the acquisition date to June 30, 2012 and StarTrak and LMS s revenues, net income (loss) attributable to ORBCOMM Inc. and the net income (loss) attributable to common stockholders of the combined entity had the acquisition dates been January 1, 2011, are as follows:

	Revenues	Net Income (loss) Attributable ORBCOMM Inc.	Net Income (loss) Attributable to Common Stockholders
Actual from January 13, 2012 to June 30, 2012 (LMS)	$ 3,063	$ (959)	$ (959)
Supplemental pro forma for the three months ended June 30, 2012 (LMS)	$ 16,319	$ 2,092	$ 2,075
Supplemental pro forma for the three months ended June 30, 2011 (LMS)	$ 14,463	$ (361)	$ (379)
Supplemental pro forma for the six months ended June 30, 2012 (LMS)	$ 32,334	$ 4,854	$ 4,818
Supplemental pro forma for the six months ended June 30, 2011 (LMS and StarTrak)	$ 27,748	$ (1,740)	$ (1,776)

4. Satcom International Group plc (Satcom)

On March 28, 2012, the Company purchased the remaining 48% noncontrolling ownership interests in its majority owned subsidiary, Satcom for $1,119. The consideration consisted of: (i) $119 in cash and (ii) the issuance of 263,133 shares of the Company s common stock (valued at $3.80 per share, which reflects the Company s common stock opening stock price on March 28, 2012). The Company incurred transaction fees of $80 which was recorded as a reduction to additional paid-in capital. As a result, the noncontrolling interests and accumulated other comprehensive income increased by $180 and $16, respectively, and additional paid-in capital decreased by $395.

Concurrently, Satcom paid $253 to its note holders, which included $43 to a creditor of Satcom who is a related-party serving as the Company s Chairman of the Board of Directors, in exchange for a waiver and release of all outstanding principal and accrued interest previously recorded in accrued liabilities totaling $1,340, which included $290 owed to the related-party. As a result, the Company recognized a gain on extinguishment of debt of $1,062, net of expenses of $24 in other income (expense) in its condensed consolidated statements of operations, for the difference between the payments made and the net carrying amounts of the outstanding principal and accrued interest for the six months ended June 30, 2012. Further, Satcom also paid $128 to a trade creditor in exchange for a waiver and release of the outstanding trade payables totaling $256. As a result, the Company reduced selling, general and administrative expenses by $128 in its condensed consolidated statements of operations for the six months ended June 30, 2012.

5. Stock-based Compensation

The Company s stock-based compensation plans consist of its 2006 Long-Term Incentives Plan (the 2006 LTIP) and its 2004 Stock Option Plan. As of June 30, 2012, there were 4,266,859 shares available for grant under the 2006 LTIP and no shares available for grant under the 2004 Stock Option Plan.

For the three months ended June 30, 2012 and 2011 the Company recorded stock-based compensation expense of $466 and $396, respectively. For the three months ended June 30, 2012 and 2011, the Company capitalized stock-based compensation of $18 and $15, respectively. For the six months ended June 30, 2012 and 2011 the Company recorded stock-based compensation expense of $810 and $659, respectively. For the six months ended June 30, 2012 and 2011, the Company capitalized stock-based compensation of $36 and $29, respectively. The components of the Company s stock-based compensation expense are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Stock appreciation rights	$ 368	$ 276	$ 661	$ 485
Restricted stock units	98	120	149	174
Total	$ 466	$ 396	$ 810	$ 659

As of June 30, 2012, the Company had unrecognized compensation costs for all share-based payment arrangements totaling $1,908.

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Time-Based Stock Appreciation Rights

During the six months ended June 30, 2012, the Company granted 336,000 time-based SARs, which vest through June 2015. The weighted-average grant date fair value of these SARs was $2.25 per share.

A summary of the Company s time-based SARs for the six months ended June 30, 2012 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2012	2,688,967	$ 3.75		
Granted	336,000	3.48		
Exercised	(6,000)	2.22		
Forfeited or expired	(115,000)	2.88		
Outstanding at June 30, 2012	2,903,967	$ 3.75	7.42	$ 977
Exercisable at June 30, 2012	2,112,301	$ 4.05	6.89	$ 677
Vested and expected to vest at June 30, 2012	2,903,967	$ 3.75	7.42	$ 977

For the three months ended June 30, 2012 and 2011, the Company recorded stock-based compensation expense of $210 and $130 relating to these SARs, respectively. For the six months ended June 30, 2012 and 2011, the Company recorded stock-based compensation expense of $388 and $247 relating to these SARs, respectively. As of June 30, 2012, $1,150 of total unrecognized compensation cost related to these SARs is expected to be recognized through June 2015.

The intrinsic value of the SARs exercised was $7 for the six months ended June 30, 2012.

Performance-Based Stock Appreciation Rights

During the six months ended June 30, 2012, the Company granted 394,834 performance-based SARs for 2012 financial and operational targets, which are expected to vest in the first quarter of 2013. As of June 30, 2012, the Company estimates that approximately 95% of the performance-based SARs will vest. The weighted-average grant date fair value of these SARs was $2.06 per share.

A summary of the Company s performance-based SARs for the six months ended June 30, 2012 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2012	845,299	$ 5.20		
Granted	394,834	3.29		
Exercised	(3,200)	2.56		
Forfeited or expired	(168,508)	3.17		
Outstanding at June 30, 2012	1,068,425	$ 4.82	8.02	$ 216
Exercisable at June 30, 2012	676,592	$ 5.71	7.08	$ 144
Vested and expected to vest at June 30, 2012	1,053,250	$ 4.85	8.00	$ 215

For the three months ended June 30, 2012 and 2011, the Company recorded stock-based compensation of $157 and $146 relating to these SARs, respectively. For the six months ended June 30, 2012 and 2011, the Company recorded stock-based compensation of $273 and $238 relating to these SARs, respectively. As of June 30, 2012, $585 of total unrecognized compensation cost related to these SARs is expected to be recognized through the first quarter of 2013.

The intrinsic value of the SARs exercised was $3 for the six months ended June 30, 2012.

The fair value of each time and performance SAR award is estimated on the date of grant using the Black-Scholes option pricing model with the assumptions described below for the periods indicated. Depending how long the Company s common stock has been publicly traded at the grant date the expected volatility was based either on (i) an average of the Company s historical volatility over the expected terms of the SAR awards and the comparable publicly traded companies historical volatility or (ii) the Company s historical volatility over the expected terms of SAR awards. The Company uses the simplified method to determine the expected terms of SARs due to a limited history of exercises. Estimated forfeitures were based on voluntary and involuntary termination behavior as well as analysis of actual forfeitures. The risk-free interest rate was based on the U.S. Treasury yield curve at the time of the grant over the expected term of the SAR grants.

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	Six months ended June 30, 2012	2011
Risk-free interest rate	.86% to 1.41%	2.14% to 2.34%
Expected life (years)	5.50 and 6.0	5.50 and 6.0
Estimated volatility factor	72.36% to 74.67%	71.48% to 74.34%
Expected dividends	None	None

Time-based Restricted Stock Units

During the six months ended June 30, 2012, the Company granted 83,821 time-based RSUs, which vest through January 2013.

A summary of the Company s time-based RSUs for the six months ended June 30, 2012 is as follows:

	Shares	Weighted-Average Grant Date Fair Value
Balance at January 1, 2012	143,334	$ 2.76
Granted	83,821	3.58
Vested	(120,000)	3.18
Forfeited or expired		
Balance at June 30, 2012	107,155	$ 2.93

For the three months ended June 30, 2012 and 2011, the Company recorded stock-based compensation expense of $99 and $120 related to these RSUs, respectively. For the six months ended June 30, 2012 and 2011, the Company recorded stock-based compensation expense of $149 and $174 related to these RSUs, respectively. As of June 30, 2012, $173 of total unrecognized compensation cost related to these RSUs is expected to be recognized through January 2013.

The fair value of the time-based RSU awards is based upon the closing stock price of the Company s common stock on the date of grant.

2004 Stock Option Plan

A summary of the status of the Company s stock options as of June 30, 2012 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Remaining Contractual Term (years)	Aggregate Intrinsic Value (In thousands)
Outstanding at January 1, 2012	757,828	$ 2.97		
Granted				
Exercised				
Forfeited or expired	(20,537)	3.23		
Outstanding at June 30, 2012	737,291	$ 2.96	1.73	$ 435
Exercisable at June 30, 2012	737,291	$ 2.96	1.73	$ 435
Vested and expected to vest at June 30, 2012	737,291	$ 2.96	1.73	$ 435

6. Net income (loss) Attributable to ORBCOMM Inc. Common Stockholders

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to ORBCOMM Inc. by the weighted-average number of common shares outstanding for the period. Diluted net income per common share is computed by giving effect to all potentially dilutive securities. Diluted net loss per common share is the same as basic net loss per common share, because potentially dilutive securities would have an antidilutive effect as the Company incurred a net loss for the three and six months ended June 30, 2011. For the three and six months ended June 30, 2012, the Company reported net income attributable to ORBCOMM Inc. and included the effect of 440,245 and 520,914 SARs, RSUs and stock options in its diluted weighted average common shares outstanding, respectively.

The potentially dilutive securities excluded from the determination of diluted income (loss) per share, as their effect is antidilutive, are as follows:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Series A convertible preferred stock	289,923	305,814	289,923	305,814
SARs	3,703,877	2,924,633	3,672,966	2,924,633
RSUs	67,434	196,667	29,007	196,667
Stock options	605,283	757,828	593,951	757,828
	4,666,517	4,184,942	4,585,847	4,184,942

The computation of net income attributable to ORBCOMM Inc. common stockholders is as follows for the three and six months ended June 30, 2012.

	Three months ended June 30, 2012	Six months ended June 30, 2012
Net income attributable to ORBCOMM Inc.	$ 1,882	$ 4,291
Preferred stock dividends on Series A convertible preferred stock	(17)	(36)
Net income attributable to ORBCOMM Inc. common stockholders	$ 1,865	$ 4,255

7. Marketable Securities

As of June 30, 2012 and December 31, 2011, the marketable securities are recorded at amortized cost which approximates fair market value which was based on Level 1 inputs. All investments mature in one year or less.

	June 30, 2012			December 31, 2011		
	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value	Gross Unrealized Losses	Gross Unrealized Gains
U.S. government and agency obligations	$ 22,046	$ 9	$	$ 25,177	$ 7	$ 3
Corporate obligations	17,003	7	3	17,655	17	
FDIC-insured certificates of deposit	4,316	4		3,118	2	
	$ 43,365	$ 20	$ 3	$ 45,950	$ 26	$ 3

The Company would recognize an impairment loss when the decline in the estimated fair value of a marketable security below the amortized cost is determined to be other-than-temporary. The Company considers various factors in determining whether to recognize an impairment charge, including the duration of time and the severity to which the fair value has been less than the amortized cost, any adverse changes in the issuer s financial conditions and the Company s intent to sell or whether it is more likely than not that it would be required to sell the marketable security before its anticipated recovery. Investments with unrealized losses have been in an unrealized loss position for less than a year.

As of June 30, 2012 and December 31, 2011, the gross unrealized losses of $20 and $26, respectively, were primarily due to changes in interest rates and not credit quality of the issuer. Accordingly, the Company has determined that the gross unrealized losses are not other-than-temporary at June 30, 2012 and there has been no recognition of impairment losses in its condensed consolidated statements of operations for the three and six months ended June 30, 2012 and 2011.

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8. Satellite Network and Other Equipment

Satellite network and other equipment consisted of the following:

	Useful life (years)	June 30, 2012	December 31, 2011
Land		$ 381	$ 381
Satellite network	1-10	38,542	35,088
Capitalized software	3-5	2,839	1,785
Computer hardware	5	1,576	1,430
Other	5-7	1,661	1,618
Assets under construction		71,442	70,590
		116,441	110,892
Less: accumulated depreciation and amortization		(32,799)	(31,121)
		$ 83,642	$ 79,771

During the six months ended June 30, 2012 and 2011, the Company capitalized costs attributable to the design and development of internal-use software in the amount of $321 and $149, respectively. Depreciation and amortization expense was $925 for the three months ended June 30, 2012 and 2011. This includes amortization of internal-use software of $100 and $85 for the three months ended June 30, 2012 and 2011, respectively. Depreciation and amortization expense for the six months ended June 30, 2012 and 2011 was $1,678 and $1,712, respectively. This includes amortization of internal-use software of $180 and $176 for the six months ended June 30, 2012 and 2011, respectively.

Assets under construction primarily consist of milestone payments pursuant to procurement agreements which includes, the design, development, launch and other direct costs relating to the construction of the next-generation satellites (See Note 18) and upgrades to its infrastructure and ground segment.

9. Restricted Cash

Restricted cash consists of the remaining cash collateral of $2,000 for a performance bond required by the FCC in connection with the construction, launch and operation of the 18 next-generation satellites that was authorized in the March 21, 2008 FCC Space Segment License modification. Under the terms of the performance bond, the cash collateral will be reduced in increments of $1,000 upon completion of specified milestones. In January 2012, the FCC refunded the third milestone to the Company. The Company has classified the remaining $2,000 as a non-current asset at June 30, 2012 and December 31, 2011.

At June 30, 2012 and December 31, 2011, restricted cash also includes $195 and $220 placed into certificates of deposit to collateralize a letter of credit with a cellular wireless provider to secure terrestrial communications services and to secure a credit card facility, respectively.

The interest income earned on the restricted cash balances is unrestricted and included in interest income in the condensed consolidated statements of operations.

10. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the estimated fair values of the underlying net tangible and intangible assets.

Goodwill consisted of the following:

Balance at January 1, 2012	$ 11,131

Addition resulting from the acquisition of LMS	2,899
Adjustment to StarTrak s goodwill from finalizing the purchase price allocation	523
Balance at June 30, 2012	$ 14,553

Goodwill is allocated to the Company s one reportable segment.

The Company s intangible assets consisted of the following:

		June 30, 2012			December 31, 2011		
	Useful life (years)	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Customer lists	10	$ 3,820	$ (372)	$ 3,448	$ 2,900	$ (181)	$ 2,719
Patents and technology	5 and 10	4,610	(510)	4,100	3,900	(244)	3,656
Trademarks	2 and 10	860	(105)	755	800	(50)	750
Acquired licenses	6	8,115	(8,115)		8,115	(8,115)	
		$ 17,405	$ (9,102)	$ 8,303	$ 15,715	$ (8,590)	$ 7,125

The weighted-average amortization period for the intangible assets is 9.57 years. The weighted-average amortization period for patents and technology and trademarks is 9.22 and 9.52 years, respectively.

Amortization expense was $256 and $467 for the three months ended June 30, 2012 and 2011, respectively. Amortization expense was $512 and $838 for the six months ended June 30, 2012 and 2011, respectively.

Estimated amortization expense for intangible assets subsequent to June 30, 2012 is as follows:

Years ending December 31,	
Remainder of 2012	$ 512
2013	1,024
2014	994
2015	994
2016	994
Thereafter	3,785
	$ 8,303

11. Accrued Liabilities

The Company s accrued liabilities consisted of the following:

	June 30, 2012	December 31, 2011
Accrued compensation and benefits	$ 2,239	$ 2,868
Warranty	3,179	2,631
Corporate income tax payable	666	771
Contingent earn-out amount	256	
AIS deployment and license agreement	411	
Accrued satellite network and other equipment		4,296
Accrued interest		918
Other accrued expenses	2,345	2,643
	$ 9,096	$ 14,127

For the six months ended June 30, 2012 and 2011, changes in accrued warranty obligations consisted of the following:

	2012	2011
Balance at January 1,	$ 2,631	$
Warranty liabilities from acquisitions	806	1,050
Amortization of fair value adjustment of the StarTrak warranty liabilities	(148)	
Warranty expense	197	40
Warranty charges	(307)	(24)
Balance at June 30,	$ 3,179	$ 1,066

For the six months ended June 30, 2012, the warranty liabilities from acquisitions consists of $283 from LMS and $523 from StarTrak relating to finalizing the purchase price allocation (See Note 3).

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12. Deferred Revenues

Deferred revenues consisted of the following:

	June 30, 2012	December 31, 2011
Service activation fees	$ 2,575	$ 2,252
Prepaid services	1,288	1,045
Warranty revenues	439	358
Manufacturing license fees	7	14
	4,309	3,669
Less current portion	(2,437)	(2,099)
Long-term portion	$ 1,872	$ 1,570

13. Note Payable-Related Party

In connection with the acquisition of a majority interest in Satcom in 2005, the Company recorded an indebtedness to OHB Technology A.G. (formerly known as OHB Teledata A.G.), a stockholder of the Company. At June 30, 2012, the principal balance of the note payable was 1,138 and it had a carrying value of $1,434. At December 31, 2011, the principal balance of the note payable was 1,138 and it had a carrying value of $1,480. The carrying value was based on the note s estimated fair value at the time of acquisition. The difference between the carrying value and principal balance was being amortized to interest expense over the estimated life of the note of six years which ended in September 30, 2011. The amortization to interest expense related to the note for the three months and six months ended June 30, 2011 was $33 and $66, respectively. This note does not bear interest and has no fixed repayment term. Repayment will be made from the distribution profits (as defined in the note agreement) of ORBCOMM Europe LLC. The note has been classified as long-term and the Company does not expect any repayments to be required prior to June 30, 2013.

14. Note Payable

On May 16, 2011, the Company issued a $3,900 6% secured promissory note to an existing lender and stockholder of Alanco. The note bears interest at 6.00% per annum. The note is secured by substantially all of the assets of StarTrak and guaranteed by ORBCOMM Inc. As of June 30, 2012 and December 31, 2011, the note payable balance is presented net of the unamortized debt discount of $63 and $74, respectively. For the three months ended June 30, 2012 and 2011, the Company recognized debt discount of $6 and $3, respectively. For the six months ended June 30, 2012 and 2011, the Company recognized debt discount of $11 and $3, respectively. For the three and six months ended June 30, 2012, the debt discount is added to the capitalized cost of the next-generation satellites. The remaining principal payments are due in quarterly installments with a balloon payment due on December 31, 2015 is as follows:

Years ending December 31,	
Remainder of 2012	$ 125
2013	300
2014	400
2015	2,750
	$ 3,575

15. Stockholders Equity

Series A convertible preferred stock

During the six months ended June 30, 2012, holders of the Series A convertible preferred stock converted 15,861 shares into 26,536 shares of the Company s common stock. During the six months ended June 30, 2012, the Company issued dividends in the amount of 3,608 shares to the holders of the Series A convertible preferred stock. As of June 30, 2012, dividends in arrears were $17.

Common Stock

As of June 30 2012, the Company has reserved 9,083,697 shares of common stock for future issuances related to employee stock compensation plans.

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16. Geographic Information

The Company operates in one reportable segment, M2M data communications. Other than satellites in orbit, long-lived assets outside of the United States are not significant. The following table summarizes revenues on a percentage basis by geographic regions, based on the country in which the customer is located.

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
United States	81%	85%	80%	84%
Japan	16%	14%	17%	15%
Other	3%	1%	3%	1%
	100%	100%	100%	100%

17. Income taxes

For the three months ended June 30, 2012, the Company s income tax provision was $402, resulting from a foreign income tax expense of $338 from income generated by ORBCOMM Japan operating in Japan and $64 of goodwill generated from the acquisitions of StarTrak and LMS. For the three months ended June 30, 2011, the Company s income tax provision was $195, resulting from a foreign income tax expense of $159 from income generated by ORBCOMM Japan and $36 of goodwill generated from the acquisition of StarTrak.

For the six months ended June 30, 2012, the Company s income tax provision was $796, resulting from a foreign income tax expense of $666 from income generated by ORBCOMM Japan and $130 of goodwill generated from the acquisitions of StarTrak and LMS. For the six months ended June 30, 2011, the Company s income tax provision was $306, resulting from a foreign income tax expense of $270 from income generated by ORBCOMM Japan and $36 of goodwill generated from the acquisition of StarTrak.

As of June 30, 2012 and June 30, 2011, the Company maintained a valuation allowance against all of its net deferred tax assets, excluding goodwill, attributable to operations in the United States and all other foreign jurisdictions, except for Japan, as the realization of such assets was not considered more likely than not.

As of June 30, 2012, the Company had unrecognized tax benefits of $775. There were no changes to the Company s unrecognized tax benefits during the six months ended June 30, 2012. The Company is subject to U.S. federal and state examinations by tax authorities from 2008. The Company does not expect any significant changes to its unrecognized tax positions during the next twelve months.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. No interest and penalties related to uncertain tax positions were recognized during the three and six months ended June 30, 2012.

18. Commitments and Contingencies

Procurement agreements in connection with next-generation satellites

On May 5, 2008, the Company entered into a procurement agreement with Sierra Nevada Corporation (SNC) pursuant to which SNC is constructing eighteen low-earth-orbit satellites in three sets of satellites (shipsets) for the Company s next-generation satellites (the Initial Satellites). Under the agreement, SNC is also providing launch support services, a test satellite (excluding the mechanical structure), a satellite software simulator and the associated ground support equipment.

The total contract price for the Initial Satellites under the procurement agreement is $117,000, subject to reduction upon failure to achieve certain in-orbit operational milestones with respect to the Initial Satellites or if the pre-ship reviews of each shipset are delayed more than 60-120 days after the specified time periods described below. The Company has agreed to pay SNC up to $1,500 in incentive payments for the successful operation of the Initial Satellites five years following the successful completion of in-orbit testing for the third shipset of eight satellites.

On August 31, 2010, the Company entered into two additional task order agreements with SNC in connection with the procurement agreement discussed above. Under the terms of the launch vehicle changes task order agreement, SNC will perform the activities to launch eighteen of the Company s next-generation satellites on a SpaceX Falcon 1e or Falcon 9 launch vehicle. The total price for the launch activities is cost reimbursable up to $4,110 that is cancelable by the Company, less a credit of $1,528. Any unused credit can be applied to other activities under the task order agreement, or the original procurement agreement if application to the task order agreement becomes impossible or impracticable. Under the terms of the engineering change requests and enhancements task order agreement, SNC will design and make changes to each of the next-generation satellites in order to accommodate an additional payload-to-bus interface. The total price for the engineering changes requests is cost reimbursable up to $317. Both task order agreements are payable monthly as the services are performed, provided that with respect to the launch vehicle changes task order agreement, the credit in the amount of $1,528 will first be deducted against amounts accrued thereunder until the entire balance is expended.

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On August 23, 2011, the Company and SNC entered into a definitive First Amendment to the procurement agreement (the Amendment). The Amendment amends certain terms of the procurement agreement dated May 5, 2008 and supplements or amends five separate task order agreements, dated as of May 20, 2010 (Task Order #1), August 31, 2010 (Task Orders #2 and #3), and December 15, 2010 (Task Orders #4 and #5) (collectively with Task Order #6, the Task Orders). On July 3, 2012, the Company and SNC entered into an additional task order agreement (Task Order #06) for SNC to perform final design work to enable additional payload components in satellites 3-18 to be re-programmable while in-orbit. The total price for the work under Task Order #6 is cost plus fixed fee of up to $521.

The Amendment modifies the milestone payment schedule under the procurement agreement dated May 5, 2008 but does not change the total contract price (excluding optional satellites and costs under the Task Orders) of $117,000. Payments under the Amendment extend into the second quarter of 2014, subject to SNC s successful completion of each payment milestone.

Under the Amendment, SNC has reaffirmed their agreement to provide the Company with optional secured financing for up to $20,000, commencing July 1, 2012 through April 30, 2014, if the Company elects to establish and use the financing, pursuant to terms set forth in the Credit Agreement defined below.

The Amendment also settles the liquidated delay damages triggered under the procurement agreement dated May 5, 2008 and provides an ongoing mechanism for the Company to obtain pricing proposals to order up to thirty optional satellites substantially identical to the Initial Satellites for which firm fixed pricing previously had expired under the procurement agreement dated May 5, 2008.

On February 22, 2012, Company entered into a Line of Credit Loan Agreement (the Credit Agreement) with SNC. The Credit Agreement provides for a secured revolving credit facility with a maximum amount of up to $20,000 providing for advances during the period from July 1, 2012 through the maturity date that is the earlier of (a) 12 months after successful completion of Milestone 33 (Pre-ship Review of satellites 11-18) and (b) April 30, 2014. The facility is secured by a first priority security interest in satellites 1 through 9 being constructed under the Amendment and receivables. The Credit Agreement will bear interest at the same interest rate that applies to SNC s existing credit facility with its third party lenders, which is a variable rate (currently 4.25% per annum) generally based on the bank s prime lending rate plus the applicable interest rate spread. Interest will be payable by the Company on a monthly basis and the entire principal is due on the maturity date. Subject to the terms set forth in the Credit Agreement, the Company may borrow, prepay and re-borrow amounts under the facility at any time prior to the maturity date of the Credit Agreement. The Company presently has no plans to use the credit facility at this time.

As of June 30, 2012, the Company has made milestone payments of $47,385 under the agreement. The Company anticipates making payments under the agreement of approximately $11,000 during the remainder of 2012.

On August 28, 2009, the Company and Space Exploration Technologies Corp. (SpaceX) entered into a Commercial Launch Services Agreement (the Agreement) pursuant to which SpaceX will provide launch services (the Launch Services) using multiple SpaceX Falcon 1e launch vehicles for the carriage into low-Earth-orbit for the Company s 18 next-generation commercial communications satellites currently being constructed by SNC. Under the Agreement, SpaceX will also provide to the Company launch vehicle integration and support services, as well as certain related optional services. The Company and SpaceX are in discussions on the terms to an amended launch services agreement to provide launch services on multiple Falcon 9 launch vehicles instead of multiple Falcon 1e launch vehicles.

The Company anticipates that the Launch Services will be performed between 2012 and 2014, subject to certain rights of the Company and SpaceX to reschedule any of the particular Launch Services as needed. The Agreement also provides the Company the option to procure, prior to each Launch Service, reflight launch services whereby in the event the applicable Launch Service results in a failure due to the SpaceX launch vehicle, SpaceX will provide comparable reflight launch services at no additional cost to the Company beyond the initial option price for such reflight launch services.

The total price under the Agreement (excluding any options or additional launch services) is $46,600, subject to certain adjustments. The amounts due under the Agreement are payable in periodic installments from the date of execution of the Agreement through the performance of each Launch Service. The Company may postpone and reschedule the Launch Services for any reason at its sole discretion, following 12 months of delay for any particular Launch Services. The Company also has the right to terminate any of the Launch Services subject to the payment of a termination fee in an amount that would be based on the date the Company exercises its termination right.

As of June 30, 2012, the Company has made milestone payments of $10,080 under the Agreement. The Company anticipates making payments of approximately $7,000 during the remainder of 2012.

AIS Satellite Deployment and License Agreement

On September 28, 2010, the Company and OHB entered into an AIS Satellite Deployment and License Agreement (the AIS Satellite Agreement) pursuant to which OHB, through its affiliate Luxspace Sarl (LXS), will (1) design, construct, launch and in-orbit test two AIS microsatellites and (2) design and construct the required ground support equipment. Under the AIS Satellite Agreement, the Company obtained exclusive licenses for all data (with certain exceptions as defined in the AIS Satellite Agreement) collected or transmitted by the two AIS microsatellites (including all AIS data) during the term of the AIS Satellite Agreement and nonexclusive licenses for all AIS data collected or transmitted by another microsatellite expected to be launched by LXS.

One AIS microsatellite was launched in October 2011 and the second was launched in January 2012.

The AIS Satellite Agreement provided for milestone payments totaling $2,000 (inclusive of in-orbit testing) subject to certain adjustments. Payments under the AIS Satellite Agreement began upon the execution of the agreement and successful completion of each milestone through to the launch of the two AIS microsatellites. In addition, to the extent that both AIS microsatellites continue to successfully operate after launch, the Company will pay OHB lease payments of up to $546, subject to certain adjustments, over thirty-six months. In addition, OHB was also entitled to credits of up to $500 to be used solely for the microsatellites AIS data license fees payable to the Company under a separate AIS data resale agreement. The Company and OHB entered into a Memorandum of Agreement effective January 1, 2012 to amend the AIS Satellite Agreement to (i) increase the milestone payments to $2,100 in the aggregate, (ii) eliminate the $500 in credit described above and (iii) increase the lease payments described above to up to $946, over thirty-six months. As of June 30, 2012, the Company recorded a capital lease obligation in its condensed consolidated balance sheet for $675, of which $411 is recorded in accrued liabilities and $264 is recorded in other liabilities.

As of June 30, 2012, the Company has made milestone payments of $2,050 under the AIS Satellite Agreement, as amended.

Airtime credits

In 2001, in connection with the organization of ORBCOMM Europe LLC and the reorganization of the ORBCOMM business in Europe, the Company agreed to grant certain country representatives in Europe approximately $3,736 in airtime credits. The Company has not recorded the airtime credits as a liability for the following reasons: (i) the Company has no obligation to pay the unused airtime credits if they are not utilized; and (ii) the airtime credits are earned by the country representatives only when the Company generates revenue from the country representatives. The airtime credits have no expiration date. Accordingly, the Company is recording airtime credits as services are rendered and these airtime credits are recorded net of revenues from the country representatives. For the three months ended June 30, 2012 and 2011, airtime credits used totaled approximately $8. For the six months ended June 30, 2012 and 2011, airtime credits used totaled approximately $16. As of June 30, 2012 and December 31, 2011, unused credits granted by the Company were approximately $2,144 and $2,160, respectively.

Litigation

From time to time, the Company is involved in various claims or litigation matters involving ordinary and routine claims incidental to its business. Management currently believes that the outcome of these proceedings, either individually or in the aggregate, will not have a material adverse effect on the Company s business, results of operations or financial condition.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Safe Harbor Statement Under the Private Securities Litigation Reform of Act 1995.

Certain statements discussed in Part I, Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally relate to our plans, objectives and expectations for future events and include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Such forward-looking statements, including those concerning the Company s expectations, are subject to known and unknown risks and uncertainties, which could cause actual results to differ materially from the results, projected, expected or implied by the forward-looking statements, some of which are beyond the Company s control, that may cause the Company s actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks and uncertainties include but are not limited to: ongoing global economic instability and uncertainty; substantial losses we have incurred and may continue to incur; demand for and market acceptance of our products and services and the applications developed by our resellers; we may need additional capital to pursue our growth strategy; loss or decline or slowdown in the growth in business from our key customers, such as Caterpillar Inc., (Caterpillar), Komatsu Ltd., (Komatsu), Hitachi Construction Machinery Co., Ltd., (Hitachi), and Asset Intelligence, a subsidiary of I.D. Systems, Inc., other value-added resellers or VARs and international value-added resellers or IVARs; loss or decline or slowdown in growth in business of any of the specific industry sectors the Company serves, such as transportation, heavy equipment, fixed assets and maritime; dependence on a few significant customers; our acquisition of StarTrak Systems, LLC (StarTrak) and PAR Logistics Management Systems (LMS) may expose us to additional risks; litigation proceedings; technological changes, pricing pressures and other competitive factors; the inability of our international resellers and licensees to develop markets outside the United States; the inability to obtain or maintain the necessary regulatory approvals or licenses for particular countries or to operate our satellites; market acceptance and success of our Automatic Identification System (AIS) business; satellite launch and construction delays and cost overruns of our next-generation satellites and launch vehicles; in-orbit satellite failures or reduced performance of our existing satellites; significant liabilities created by products we sell; the failure of our system or reductions in levels of service due to technological malfunctions or deficiencies or other events; our inability to renew or expand our satellite constellation; political, legal regulatory, government administrative and economic conditions and developments in the United States and other countries and territories in which we operate; and changes in our business strategy. In addition, specific consideration should be given to various factors described in more detail in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011. The Company undertakes no obligation to publicly revise any forward-looking statements or cautionary factors, except as required by law.

Overview

We operate a global commercial wireless messaging system optimized for narrowband communications. Our system consists of a global network of 27 low-Earth orbit, or LEO, satellites, 2 Automatic Identification System (AIS) microsatellites and accompanying ground infrastructure. Our 27 first-generation satellites are the core of a two-way communications system that enables our customers and end-users, to track, monitor, control and communicate cost-effectively with fixed and mobile assets located anywhere in the world, and 2 microsatellites that specifically provide worldwide ship tracking capability using the AIS technology already installed on large ocean-going vessels. We have agreements with another satellite provider to resell their satellite services as well. We also provide terrestrial-based cellular communication services through reseller agreements with major cellular wireless providers. Currently, our agreements with major cellular providers include GSM and CDMA offerings in the United States and GSM services with significant coverage worldwide. These terrestrial-based communication services enable our customers who have higher bandwidth requirements to receive and send messages from communication devices based on terrestrial-based technologies using the cellular providers wireless networks as well as from dual-mode devices combining the technologies from our satellite subscriber communicators and terrestrial-based technologies. As a result, our customers are now able to integrate into their applications communication technologies that will allow them to send and receive messages, including data intensive messaging using the cellular providers wireless networks and our satellite network.

Our products and services enable our customers and end-users to enhance productivity, reduce costs and improve security through a variety of commercial, government, and emerging homeland security applications. We enable our customers and end-users to achieve these benefits on a world-wide basis by using a single global satellite technology standard for machine-to-machine and telematic, or M2M, data communications, as well as providing the benefits of using terrestrial based cellular systems. Our customers have made significant investments in developing ORBCOMM-based applications. Examples of assets that are connected through our M2M data communications system include trucks, trailers, railcars, containers, heavy equipment, fluid tanks, utility meters, pipeline monitoring equipment, marine vessels, oil and gas wells and irrigation control systems. Customers benefiting from our network include original equipment manufacturers, or OEMs, such as Caterpillar, Komatsu, Doosan Infracore America, Hitachi, Hyundai Heavy Industries, The Manitowoc Company and Volvo Construction Equipment. In addition, we market our services through a distribution network of vertical market technology integrators known as VARs and IVARs, such as I.D. Systems, Inc., XATA Corporation and American Innovations, Ltd.

On May 16, 2011, we expanded our business with the purchase of certain assets of StarTrak and on January 12, 2012 we further expanded our business with the purchase of certain assets of LMS, a wholly-owned subsidiary of PAR Technology Corporation. The acquired assets enable customers to proactively monitor, manage and remotely control their refrigerated and other transport assets using complete end-to-end solutions. These solutions enable optimal business efficiencies, increased asset utilization, and substantially reduce asset write-offs and manual yard counts of chassis, refrigeration units, containers and generators (gensets). Through increased asset visibility and management, these solutions allow shipping, rail, and leasing companies to decrease their fleet sizes of chassis, gensets, refrigeration units and containers. The information provided from these solutions also help industry leaders realize better fleet efficiency and utilization while reducing risk by adding safety monitoring of perishable cargo. In addition to relationships with leading refrigerated unit manufacturers such as Carrier and Thermo King, the acquired assets include customers with well-known brands such as Tropicana, Maersk Line, Prime Inc., C.R. England, FFE Transport, Inc., Target, Chiquita, Ryder, J.B. Hunt, Hapag-Lloyd, Golden State Foods, Martin-Brower and Exel Transportation. These acquisitions enable us to create a global technology platform to transfer capabilities across new and existing vertical markets and deliver complementary products to our channel partners and resellers worldwide.

We also operate 2 AIS microsatellites which we believe is the most comprehensive global AIS data service to government and commercial customers to track over 60,000 ocean-going vessels worldwide. AIS is a shipboard broadcast system that transmits a vessel s identification and position to aid navigation and improve maritime safety. Terrestrial-based AIS receivers provide only limited visibility of ships close to shore and are not able to provide global visibility of ship traffic with open ocean coverage. Using our satellite communications system, customers have access to AIS data well beyond coastal regions in a cost effective and timely fashion. Further, we intend to continue working with system integrators and maritime information service providers providing value-added services to facilitate the sales and distribution of AIS data. We will continue to work to address and expand the various market sectors that could benefit from access to AIS data, such as suppliers to the shipping sector, like traders, brokers, insurance companies and support services. An additional potential benefit of AIS is the ability to combine AIS data with asset tracking and monitoring solutions. We believe this creates the potential to provide complete end-to-end visibility of the shipment of goods throughout the global supply chain from an integrated information solution. This solution, once fully integrated into transportation management systems, has the potential to track and monitor individual shipping containers through the intermodal transportation system from origination to destination as it is transported on truck, rail and ship.

Through our M2M data satellite communications system, our customers and end-users can send and receive information to and from any place in the world using low-cost subscriber communicators and paying airtime costs that we believe are the lowest in the industry for global connectivity. Our customers can also use cellular terrestrial units, or wireless subscriber identity modules (SIMS), for use with devices or equipment that enable the use of a cellular provider s wireless network, singularly or in conjunction with satellite services, to send and receive information from these devices. We believe that there is no other satellite or terrestrial network currently in operation that can offer global two-way wireless narrowband data service including coverage at comparable cost using a single technology standard worldwide, that also provides a parallel terrestrial network for data intensive applications.

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Acquisition of LMS

Effective on the close of business on January 12, 2012, we completed the acquisition of the assets of LMS, including but not limited to, accounts receivable, inventory, equipment, intellectual property, all of LMS s rights to customer contracts, supplier lists and certain liabilities pursuant to an Asset Purchase Agreement dated as of December 23, 2011. The consideration paid to PAR on closing to acquire LMS totaled $6.1 million consisting of: (i) $4.0 million in cash, subject to a final working capital adjustment specified in the Asset Purchase Agreement and (ii) the issuance of 645,162 shares of our common stock, of which 387,097 shares of common stock were placed into an escrow account for up to fifteen months from closing to fund any indemnification obligations to us including for breaches of representations and warranties made by PAR.

In addition to the consideration paid at closing, the Asset Purchase Agreement provides for contingent payments of up to $3.9 million payable post-closing by us to PAR. Up to $3.0 million of the contingent payments will be payable based on achieving subscriber targets for calendar year 2012. Up to $0.9 million of the contingent payments will be payable based on achieving sales targets for calendar years 2012 through 2014. Any potential earn-out amounts can be paid in common stock, cash or a combination at our option. Any shares of common stock to be issued will be based on the 20-day average closing price ending on the third trading day preceding the date of payment. The potential earn-out amounts for achieving the subscriber and sales targets for calendar year 2012, if earned, will be paid within 30 days after we file our Form 10-K for 2012. The potential earn-out amount for achieving sales targets for calendar years 2013 and 2014, if earned, will be paid within 30 days after we file our Form 10-K for years 2013 and 2014. We recorded at the acquisition date a liability of $0.7 million for the estimated fair value of the earn-out amounts.

As a result of the acquisition of LMS, we recognized $2.9 million of goodwill and $1.7 million of intangible assets, which consist of technology, trademarks and customer relationships. The acquired goodwill will not be amortized for financial reporting purposes. However the acquired goodwill is tax deductible, and therefore amortized over fifteen years for income tax purposes. As such, deferred income tax expense and a deferred tax liability arise as a result of the difference in tax deductibility of this amount for tax and financial reporting purposes. The resulting deferred tax liability, which is expected to continue to increase over time will remain on our balance sheet indefinitely unless there is an impairment of the goodwill.

The results of operations of LMS are included in our condensed consolidated results for the period subsequent to the acquisition date of January 12, 2012. See Note 3 to the condensed consolidated financial statements for further discussion.

Critical Accounting Policies and Estimates

Our discussion and analysis of our results of operations, liquidity and capital resources are based on our consolidated financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments, including those related to revenue recognition, accounts receivable, accounting for business combinations, goodwill, satellite network and other equipment, long-lived assets, capitalized development costs, income taxes, warranty costs, loss contingencies, pre-acquisition contingencies and the value of securities underlying stock-based compensation. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates and could have a significant adverse effect on our results of operations and financial position. For a discussion of our critical accounting policies and estimates see Part II, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to our critical accounting policies during 2012.

EBITDA

EBITDA is defined as earnings attributable to ORBCOMM Inc., before interest income (expense), provision for income taxes and depreciation and amortization. We believe EBITDA is useful to our management and investors in evaluating our operating performance because it is one of the primary measures we use to evaluate the economic productivity of our operations, including our ability to obtain and maintain our customers, our ability to operate our business effectively, the efficiency of our employees and the profitability associated with their performance. It also helps our management and investors to meaningfully evaluate and compare the results of our operations from period to period on a consistent basis by removing the impact of our financing transactions and the depreciation and amortization impact of capital investments from our operating results. In addition, our management uses EBITDA in presentations to our board of directors to enable it to have the same measurement of operating performance used by management and for planning purposes, including the preparation of our annual operating budget.

EBITDA is not a performance measure calculated in accordance with accounting principles generally accepted in the United States, or GAAP. While we consider EBITDA to be an important measure of operating performance, it should be considered in addition to, and not as a substitute for, or superior to, net income (loss) or other measures of financial performance prepared in accordance with GAAP and may be different than EBITDA measures presented by other companies.

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The following table reconciles our net income (loss) to EBITDA for the periods shown:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net income (loss)	$ 1,882	$ (541)	$ 4,291	$ (1,272)
Income tax expense	402	195	796	306
Interest income	(23)	(44)	(50)	(98)
Interest expense	8	78	32	126
Depreciation and amortization	1,181	1,393	2,190	2,550
	$ 3,450	$ 1,081	$ 7,259	$ 1,612

Three months: EBITDA during the three months ended June 30, 2012 improved by $2.4 million over 2011. The improvement was primarily due to increases in service revenues of $3.4 million and product revenues of $2.1 million. The increase in service revenues was primarily due to an increase in core services of satellite and terrestrial revenues of $2.8 including $1.9 million from acquisitions and an increase in AIS revenue of $0.5 million. Product revenues increases included $1.0 million at our Japan subsidiary and $1.1 million from acquisitions. The increase in total revenues was offset by an increase in expenses, excluding depreciation and amortization, of $3.2 million from acquisitions.

Six months: EBITDA during the six months ended June 30, 2012 improved by $5.6 million over 2011. The improvement was primarily due to increases in service revenues of $7.6 million and product revenues of $5.9 million and a $1.2 million gain on extinguishment of debt and accounts payable. The increase in service revenues was primarily due to an increase in core services of satellite and terrestrial revenues of $6.5 including $4.5 million from acquisitions and an increase in AIS revenue of $0.8 million. Product revenues increases included $2.2 million at our Japan subsidiary and $3.7 million from acquisitions. The increase in total revenues was offset by an increase in expenses, excluding depreciation and amortization, of $9.0 million from acquisitions.

Revenues

We derive service revenues from our resellers and direct customers from utilization of satellite subscriber communicators and the reselling of airtime from a third party satellite system and the utilization of terrestrial-based subscriber communicators using SIMS on the cellular providers wireless networks. These service revenues generally consist of a one-time activation fee for each subscriber communicator and SIMS activated for use and monthly usage fees. Usage fees that we charge our customers are based upon the number, size and frequency of data transmitted by the customer and the overall number of subscriber communicators and SIMS activated by each customer. Revenues for usage fees from currently billing subscriber communicators and SIMS are recognized on an accrual basis, as services are rendered, or on a cash basis, if collection from the customer is not reasonably assured at the time the service is provided. Usage fees charged to our resellers and direct customers are charged primarily at wholesale rates based on the overall number of subscriber communicators activated by them and the total amount of data transmitted. We also earn service revenues from extended warranty service agreements extending beyond the initial warranty period of one year, royalty fees from third parties for the use of our proprietary communications protocol charged on a one-time basis for each satellite subscriber communicator connected to our M2M data communications system and fees from providing engineering, technical and management support services to customers.

We derive product revenues primarily from sales of subscriber communicators to our resellers (i.e., our VARs, IVARs, international licensees and country representatives) and direct customers. We also sell cellular wireless subscriber identity modules, or SIMS, (for our terrestrial-communication services) to our resellers and direct customers.

The table below presents our revenues for the three and six months ended June 30, 2012 and 2011, together with the percentage of total revenue represented by each revenue category in (in thousands):

	Three months ended June 30,				Six months ended June 30,			
	2012		2011		2012		2011	
		% of Total		% of Total		% of Total		% of Total
Service revenues	$ 12,418	76.1%	$ 8,980	83.1%	$ 23,949	74.4%	$ 16,377	87.6%

Product sales	3,901	23.9%	1,829	16.9%	8,249	25.6%	2,315	12.4%
	$ 16,319	100.0%	$ 10,809	100.0%	$ 32,198	100.0%	$ 18,692	100.0%

Three months: Total revenues for the three months ended June 30, 2012 and 2011 were $16.3 million and $10.8 million, respectively, an increase of 51.0%.

Six months: Total revenues for the six months ended June 30, 2012 and 2011 were $32.2 million and $18.7 million, respectively, an increase of 72.3%.

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Service revenues

Three months: Service revenues increased $3.4 million for the three months ended June 30, 2012, or 38.3%, to $12.4 million from $9.0 million for the three months ended June 30, 2011. The increase in service revenues in 2012 over 2011 were primarily due an increase in satellite and terrestrial revenues of $2.8 million primarily from an increase in messaging service due to increases in billable subscriber communicators and usage by some customers, $1.9 million from acquisitions and an increase in AIS revenue of $0.5 million.

Six months: Service revenues increased $7.6 million for the six months ended June 30, 2012, or 46.2%, to $24.0 million from $16.4 million for the six months ended June 30, 2011. The increase in service revenues in 2012 over 2011 were primarily due an increase in satellite and terrestrial revenues of $6.5 million primarily from an increase in messaging service due to increases in billable subscriber communicators and usage by some customers, $4.5 million from acquisitions and an increase in AIS revenue of $0.8 million.

As of June 30, 2012, we had approximately 715,000 billable subscriber communicators compared to approximately 606,000 billable subscriber communicators as of June 30, 2011, an increase of 18.1%.

Service revenue growth can be impacted by the customary lag between subscriber communicator activations and recognition of service revenue from these units.

Product sales

Three months: Revenues from product sales increased $2.1 million for the three months ended June 30, 2012, or 113.2%, to $3.9 million from $1.8 million for the three months ended June 30, 2011. The increase was primarily due to $1.1 million from acquisitions and $1.0 million sales to the heavy equipment sector by our Japanese subsidiary.

Six months: Revenues from product sales increased $5.9 million for the six months ended June 30, 2012, or 256.3%, to $8.2 million from $2.3 million for the six months ended June 30, 2011. The increase was primarily due to $3.7 million from acquisitions and $2.2 million sales to the heavy equipment sector by our Japanese subsidiary.

Costs of services

Costs of services is comprised of expenses to provide services, such as payroll and related costs, including stock-based compensation, materials and supplies, depreciation and amortization of assets and usage fees to cellular wireless providers for the data transmitted by the resellers on our network and other third-party networks.

Three months: Costs of services increased by $1.2 million, or 31.1%, to $5.0 million for the three months ended June 30, 2012 from $3.8 million for the three months ended June 30, 2011. The increase was primarily due from acquisitions. As a percentage of service revenues, cost of services were 39.9% for the three months ended June 30, 2012 compared to 42.0% for the three months ended June 30, 2011. The decrease in cost of services as a percentage of service revenues was primarily due to an increase in service revenues.

Six months: Costs of services increased by $2.4 million, or 33.4%, to $9.6 million for the six months ended June 30, 2012 from $7.2 million for the six months ended June 30, 2011. The increase was primarily due from acquisitions. As a percentage of service revenues, cost of services were 40.3% for the six months ended June 30, 2012 compared to 44.2% for the six months ended June 30, 2011. The decrease in cost of services as a percentage of service revenues was primarily due to an increase in service revenues.

Costs of product sales

Costs of products includes the purchase price of subscriber communicators and SIMS sold, costs of warranty obligations, shipping charges, depreciation and amortization as well as operational costs to fulfill customer orders, including costs for employees.

Three months: Costs of product sales increased by $1.2 million, or 88.0% to $2.6 million for the three months ended June 30, 2012 from $1.4 million for the three months ended June 30, 2011. The increase was primarily due from StarTrak and LMS. We had a gross profit from product sales (revenues from product sales minus costs of product sales) of $1.3 million for the three months ended June 30, 2012 compared to a gross profit from product sales of $0.5 million for the three months ended June 30, 2011. The increase in gross profit from product sales was primarily due to $0.3 million from acquisitions and $0.5 million primarily due to an increase in product sales to the heavy equipment sector by our Japanese subsidiary.

Six months: Costs of product sales increased by $4.0 million, or 241.9% to $5.7 million for the six months ended June 30, 2012 from $1.7 million for the six months ended June 30, 2011. The increase was primarily due from StarTrak and LMS. We had a gross profit from product sales (revenues from product sales minus costs of product sales) of $2.6 million for the six months ended June 30, 2012 compared to a gross profit from product sales of $0.7 million for the six months ended June 30, 2011. The increase in gross profit from product sales was primarily due to $0.8 million from acquisitions and $1.1 million primarily due to an increase in product sales to the heavy equipment sector by our Japanese subsidiary.

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Selling, general and administrative expenses

Selling, general and administrative expenses relate primarily to expenses for general management, sales and marketing, and finance, professional fees and general operating expenses.

Three months: Selling, general and administrative expenses increased by $1.0 million, or 20.4%, to $5.6 million for the three months ended June 30, 2012 from $4.6 million for the three months ended June 30, 2011. The increase was primarily due from acquisitions.

Six months: Selling, general and administrative expenses increased by $1.8 million, or 20.6%, to $10.9 million for the six months ended June 30, 2012 from $9.1 million for the three months ended June 30, 2011. The increase was primarily due from acquisitions.

Product development expenses

Product development expenses consist primarily of the expenses associated with our engineering team, along with the cost of third parties that are contracted to support our current applications.

Product development expenses for the three months ended June 30, 2012 and June 30, 2011 were $0.6 million and $0.3 million, respectively.

Product development expenses for the six months ended June 30, 2012 and June 30, 2011 were $1.2 million and $0.5 million, respectively.

The increase in product development expenses for the three and six months ended June 30, 2012 over the corresponding periods was primarily due to the acquisitions.

Acquisition costs

Acquisition-related costs directly related to the acquisitions of StarTrak and LMS.

Other income (expense)

Other income is comprised primarily of interest income from our cash and cash equivalents, which consists of U.S. Treasuries, interest bearing instruments, and our investments in marketable securities consisting of U.S. government and agency obligations, corporate obligations and FDIC-insured certificates of deposit classified as held to maturity, foreign exchange gains and losses, gain on extinguishment of debt and interest expense.

Three months: For the three months ended June 30, 2012 other income was less than $0.1 million compared to other expense of $0.3 million for the three months ended June 30, 2011. The increase is primarily due to a loss in 2011 of $0.3 million on the disposition of our investment in Alanco, incurred in connection with the acquisition of StarTrak, for the difference between the fair value and the carrying value.

Six months: For the six months ended June 30, 2012 other income was $1.1 million compared to other expense of $0.2 million for the six months ended June 30, 2011. The increase is primarily due to a $1.1 million gain on extinguishment of debt in connection with Satcom s note holders.

Income (loss) before income taxes

Three months: We have income before income taxes of $2.4 million for the three months ended June 30, 2012, compared to a loss before income taxes of $0.4 million for the three months ended June 30, 2011.

Six months: We have income before income taxes of $5.2 million for the six months ended June 30, 2012, compared to a loss before income taxes of $1.0 million for the six months ended June 30, 2011.

Provision for Income taxes

For the three months ended June 30, 2012, we recorded income taxes of $0.4 million, which was primarily due to a foreign income tax of $0.3 million from income generated by our subsidiary ORBCOMM Japan operating in Japan and $0.1 million from the amortization of tax goodwill generated from our acquisitions.

For the three months ended June 30, 2011, we recorded income taxes of $0.2 million consisting of a foreign income tax generated by ORBCOMM Japan and amortization of tax goodwill generated from the acquisition of StarTrak.

For the six months ended June 30, 2012, we recorded income taxes of $0.8 million, which was primarily due to a foreign income tax of $0.7 million from income generated by our subsidiary ORBCOMM Japan and $0.1 million from the amortization of tax goodwill generated from our acquisitions.

For the six months ended June 30, 2011, we recorded income taxes of $0.3 million consisting of a foreign income tax generated by ORBCOMM Japan and amortization of tax goodwill generated from the acquisition of StarTrak.

As of June 30, 2012 and June 30, 2011, we maintained a valuation allowance against all of our net deferred tax assets, excluding goodwill, attributable to operations in the United States and all other foreign jurisdictions, except for Japan, as the realization of such assets was not considered more likely than not.

Net income (loss)

Three months: We have net income of $2.0 million for the three months ended June 30, 2012 compared to a net loss of $0.6 million for the three months ended June 30, 2011.

Six months: We have net income of $4.5 million for the six months ended June 30, 2012 compared to a net loss of $1.3 million for the six months ended June 30, 2011.

Noncontrolling interests

Noncontrolling interests relate to earnings and losses attributable to noncontrolling shareholders.

Net income (loss) attributable to ORBCOMM Inc.

Three months: We have net income attributable to our company of $1.9 million for the three months ended June 30, 2012 compared to a net loss of $0.5 million for the three months ended June 30, 2011.

Six months: We have net income attributable to our company of $4.3 million for the six months ended June 30, 2012 compared to a net loss of $1.3 million for the six months ended June 30, 2011.

Liquidity and Capital Resources

Overview

Our liquidity requirements arise from our working capital needs and to fund capital expenditures to support our current operations, and facilitate growth and expansion. We have financed our operations and expansion mostly from sales of our common stock through public offerings and private placements of debt, convertible redeemable preferred stock, common stock and most recently net income. At June 30, 2012, we have an accumulated deficit of $72.4 million. Our primary source of liquidity consisted of cash, cash equivalents, restricted cash and marketable securities totaling $75.4 million, which we believe will be sufficient to provide working capital and capital expenditures for the next twelve months.

Operating activities

Cash provided by our operating activities for the six months ended June 30, 2012 was $5.1 million resulting from net income of $4.5 million, supplemented by non-cash items including $2.2 million for depreciation and amortization and $0.8 million for stock-based compensation, offset by a $1.2 million gain on extinguishment of debt and accounts payable. Working capital activities primarily consisted of a net use of cash of $2.0 million for an increase in accounts receivable primarily due to the increase in revenues.

Cash provided by our operating activities for the six months ended June 30, 2011, was $0.4 million resulting from a net loss of $1.3 million, offset by non-cash items including $2.6 million for depreciation and amortization, $0.7 million for stock-based compensation, $0.3 million loss on the disposition of our investment in Alanco and amortization of premium on marketable securities of $0.8 million. Working capital activities primarily consisted of a net use of cash of $2.2 million for an increase in accounts receivable primarily due to the increase in revenues.

Investing activities

Cash used in our investing activities for the six months ended June 30, 2012 was $9.4 million, resulting from $4.0 million in consideration paid to acquire LMS, capital expenditures of $8.6 million and purchases of marketable securities of $34.6 million, offset by proceeds received from the maturities of marketable securities totaling $36.8 million and a refund of $1.0 million in restricted cash.

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Cash provided by our investing activities for the six months ended June 30, 2011 was $7.4 million, resulting from proceeds received from the maturities of marketable securities totaling $59.8 million, offset primarily by $1.9 million in consideration paid to acquire StarTrak, capital expenditures of $3.8 million and purchases of marketable securities of $47.5 million.

Financing activities

Cash used in our financing activities for the six months ended June 30, 2012 was $0.8 million, resulting from ORBCOMM S purchase of noncontrolling ownership interests in Satcom of $0.2 million, Satcom s repayment of $0.3 million in notes payable and $0.3 million in principal payments of capital leases and a note payable.

Cash used in our financing activities for the six months ended June 30, 2011 was $0.2 million, resulting primarily from the principal payment on the 6% secured promissory note payable.

Future Liquidity and Capital Resource Requirements

We expect cash flows from operating activities, along with our existing cash, cash equivalents, restricted cash and marketable securities will be sufficient to provide working capital to fund long-term debt payments and capital expenditures, which primarily includes milestone payments under the procurement agreements for the next-generation satellites for the next twelve months. For the remainder of 2012, we expect to incur approximately $18 million of capital expenditures primarily for our next-generation satellites.

Contractual Obligations

There have been no material changes in our contractual obligations as of June 30, 2012, as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

Recent accounting pronouncements

Item 3. Quantitative and Qualitative Disclosures about Market Risks

There has been no material changes in our assessment of our sensitivity to market risk as of June 30, 2012, as previously disclosed in Part II, Item 7A Quantitative and Qualitative Disclosures about Market Risks in our Annual Report on Form 10-K for the year ended December 31, 2011.

Concentration of credit risk

The following table presents customers with revenues greater than 10% of our consolidated total revenues for the periods shown:

	Three Months ended June 30,		Six Months ended June 30,	
	2012	2011	2012	2011
Caterpillar Inc.	19.0%	22.9%	18.8%	23.6%
Komatsu Ltd.	12.1%	15.5%	11.8%	16.8%
Hitachi Construction Machinery Co., Ltd.	10.3%	*	10.6%	10.1%

* Balance is less than 10% of consolidated revenues

Item 4. Disclosure Controls and Procedures

Evaluation of the Company s disclosure controls and procedures.

The Company s management evaluated, with the participation of the Company s President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of June 30, 2012. Based on their evaluation, the Company s President and Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of June 30, 2012.

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Changes in Internal Control over Financial Reporting.

We reviewed our internal control over financial reporting at June 30, 2012. As a result of the acquisitions, we have begun to integrate certain business processes and systems of StarTrak and LMS. Accordingly, certain changes have been made and will continue to be made to our internal controls over financial reporting until such time as this integration is complete. In reliance on interpretive guidance issued by the SEC staff, management has chosen to exclude disclosure of changes in internal control over financial reporting related to LMS.

There have been no other changes in our internal control over financial reporting identified in an evaluation thereof that occurred during the second quarter of 2012 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various litigation matters involving ordinary and routine claims incidental to our business. Management currently believes that the outcome of these proceedings, either individually or in the aggregate, will not have a material adverse effect on our business, results of operations or financial condition.

Item 1A. Risk Factors

Except as discussed under Overview in Part 1, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations, there have been no material changes in the risk factors as of June 30, 2012, as previously disclosed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the six months ended June 30, 2012, holders of the Series A convertible preferred stock converted 15,861 shares into 26,536 shares of our common stock.

During the six months ended June 30, 2012, we issued 263,133 shares of common stock in connection with our purchase of the remaining 48% noncontrolling ownership interests in Satcom.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of President and Chief Executive Officer required by Rule 13a-14(a).
31.2	Certification of Executive Vice President and Chief Financial Officer required by Rule 13a-14(a).
32.1	Certification of President and Chief Executive Officer required by Rule 13a-14(b) and 18 U.S.C. Section 1350.

32.2	Certification of Executive Vice President and Chief Financial Officer required by Rule 13a-14(b) and 18 U.S.C. Section 1350.
101. INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit with this Quarterly Report on Form 10-Q, is deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of ORBCOMM Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

ORBCOMM Inc.

(Registrant)

Date: August 9, 2012

/s/ Marc J. Eisenberg
Marc J. Eisenberg,
President and Chief Executive Officer

(Principal Executive Officer)

Date: August 9, 2012

/s/ Robert G. Costantini
Robert G. Costantini,
Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
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