ORBCOMM Inc.
Form 10-Q
August 09, 2011

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**United States Securities and Exchange Commission**
**Washington, D.C. 20549**
**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended June 30, 2011**

**OR**

o **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 þ No o

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 o No o

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 o | Accelerated filer þ | Non-accelerated filer o<br>(Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

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

The number of shares outstanding of the registrant s common stock as of August 3, 2011 is 45,668,525.

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**ORBCOMM Inc.**
**Condensed Consolidated Balance Sheets**
**(in thousands, except share data)**
**(Unaudited)**

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 24,718 | $ 17,026 |
| Restricted cash | 1,000 | 1,000 |
| Marketable securities | 54,788 | 67,902 |
| Accounts receivable, net of allowances for doubtful accounts of $511 and $557 | 8,350 | 4,536 |
| Inventories | 2,139 | 172 |
| Prepaid expenses and other current assets | 1,721 | 1,377 |
| Deferred income taxes | 90 | 117 |
| Total current assets | 92,806 | 92,130 |
| Satellite network and other equipment, net | 73,486 | 71,684 |
| Goodwill | 9,099 | |
| Intangible assets, net | 7,876 | 1,114 |
| Restricted cash | 2,220 | 3,030 |
| Deferrred income taxes | 105 | 141 |
| Other assets | 1,383 | 1,092 |
| Other investment | | 2,278 |
| **Total assets** | $ 186,975 | $ 171,469 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 3,272 | $ 2,143 |
| Accrued liabilities | 6,861 | 6,043 |
| Current portion of note payable | 125 | |
| Current portion of deferred revenue | 2,286 | 2,134 |
| Total current liabilities | 12,544 | 10,320 |
| Note payable related party | 1,606 | 1,416 |
| Note payable, net of current portion | 3,490 | |
| Deferred revenue, net of current portion | 1,400 | 1,239 |
| Other liabilities | 258 | 375 |
| Total liabilities | 19,298 | 13,350 |

| | | |
|---|---|---|
| **Commitments and contingencies** | | |
| **Equity:** | | |
| **ORBCOMM Inc. stockholders equity** | | |
| Series A convertible preferred stock, par value $0.001; 1,000,000 shares authorized; 183,550 and 0 shares issued and outstanding | 1,834 | |
| Common stock, par value $0.001; 250,000,000 shares authorized; 45,630,194 and 42,616,950 shares issued and outstanding | 46 | 43 |
| Additional paid-in capital | 243,260 | 234,125 |
| Accumulated other comprehensive income | 1,206 | 1,126 |
| Accumulated deficit | (77,856) | (76,584) |
| Total ORBCOMM Inc. stockholders equity | 168,490 | 158,710 |
| Noncontrolling interests | (813) | (591) |
| Total equity | 167,677 | 158,119 |
| **Total liabilities and equity** | $ 186,975 | $ 171,469 |

*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, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Revenues:** | | | | |
| Service revenues | $ 8,980 | $ 7,277 | $ 16,377 | $ 14,159 |
| Product sales | 1,829 | 560 | 2,315 | 1,095 |
| Total revenues | 10,809 | 7,837 | 18,692 | 15,254 |
| **Costs and expenses** [1]**:** | | | | |
| Costs of services | 3,775 | 3,060 | 7,238 | 6,196 |
| Costs of product sales | 1,366 | 349 | 1,656 | 672 |
| Selling, general and administrative | 4,649 | 4,020 | 9,070 | 8,182 |
| Product development | 281 | 159 | 455 | 323 |
| Acquisition-related costs | 778 | | 1,035 | |
| Total costs and expenses | 10,849 | 7,588 | 19,454 | 15,373 |
| **Income (loss) from operations** | (40) | 249 | (762) | (119) |
| **Other income (expense):** | | | | |
| Interest income | 44 | 55 | 98 | 92 |
| Other income (expense) | (307) | 39 | (206) | (81) |
| Interest expense | (78) | (48) | (126) | (96) |
| Total other income (expense) | (341) | 46 | (234) | (85) |
| **Income (loss) from continuing operations before income taxes** | (381) | 295 | (996) | (204) |
| **Income taxes** | 195 | | 306 | |
| **Income (loss) from continuing operations** | (576) | 295 | (1,302) | (204) |
| **Loss from discontinued operations** | | (3,479) | | (3,570) |
| **Net loss** | (576) | (3,184) | (1,302) | (3,774) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Less: Net income (loss) attributable to the noncontrolling interests | | (35) | | 112 | | (30) | | 257 |
| **Net loss attributable to ORBCOMM Inc.** | $ | (541) | $ | (3,296) | $ | (1,272) | $ | (4,031) |
| **Net loss attributable to ORBCOMM Inc.:** | | | | | | | | |
| Income (loss) from continuing operations | $ | (541) | $ | 183 | $ | (1,272) | $ | (461) |
| Loss from discontinued operations | | | | (3,479) | | | | (3,570) |
| Net loss attributable to ORBCOMM Inc. | $ | (541) | $ | (3,296) | $ | (1,272) | $ | (4,031) |
| **Per share information-basic:** | | | | | | | | |
| Income (loss) from continuing operations | $ | (0.01) | $ | 0.00 | $ | (0.03) | $ | (0.01) |
| Loss from discontinued operations | | | | (0.08) | | | | (0.08) |
| Net loss attributable to ORBCOMM Inc. | $ | (0.01) | $ | (0.08) | $ | (0.03) | $ | (0.09) |
| **Per share information-diluted:** | | | | | | | | |
| Income (loss) from continuing operations | $ | (0.01) | $ | 0.00 | $ | (0.03) | $ | (0.01) |
| Loss from discontinued operations | | | | (0.08) | | | | (0.08) |
| Net loss attributable to ORBCOMM Inc. | $ | (0.01) | $ | (0.08) | $ | (0.03) | $ | (0.09) |
| **Weighted average common shares outstanding:** | | | | | | | | |
| Basic | | 44,211 | | 42,563 | | 43,472 | | 42,561 |
| Diluted | | 44,211 | | 42,613 | | 43,472 | | 42,561 |
| **(1) Stock-based compensation included in costs and expenses:** | | | | | | | | |
| Costs of services | $ | 25 | $ | 29 | $ | 60 | $ | 43 |
| Selling, general and administrative | | 364 | | 557 | | 589 | | 973 |
| Product development | | 7 | | 6 | | 10 | | 8 |
| | $ | 396 | $ | 592 | $ | 659 | $ | 1,024 |

*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, 2011 | Six months ended June 30, 2010 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss | $ (1,302) | $ (3,774) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Change in allowance for doubtful accounts | (46) | (232) |
| Depreciation and amortization | 2,550 | 2,301 |
| Accretion on note payable related party | 66 | 66 |
| 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 | |
| Stock-based compensation | 659 | 1,024 |
| Foreign exchange (gains) losses | (10) | 83 |
| Amortization of premium on marketable securities | 801 | 384 |
| Deferred income taxes | 65 | |
| Gain on settlement of vendor liabilities | | (220) |
| Dividend received in common stock from other investment | (84) | |
| Impairment charge-net assets held for sale | | 3,261 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,223) | (621) |
| Inventories | 119 | 11 |
| Prepaid expenses and other assets | (24) | (50) |
| Accounts payable and accrued liabilities | (315) | (803) |
| Deferred revenue | (85) | (359) |
| Other liabilities | (61) | |
| Net cash provided by operating activities of continuing operations | 418 | 1,071 |
| Net cash provided by operating activities of discontinued operations | | 23 |
| Net cash provided by operating activities | 418 | 1,094 |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (3,844) | (2,655) |
| Purchases of marketable securities | (47,497) | (91,800) |
| Proceeds from maturities of marketable securities | 59,810 | 45,070 |
| Purchase of other investment | | (1,356) |
| Acquisition of net assets of StarTrak, net of cash acquired of $321 | (1,876) | |
| Change in restricted cash | 810 | (50) |
| Net cash provided by (used in) investing activities of continuing operations | 7,403 | (50,791) |

| | | | | |
|---|---|---|---|---|
| **Cash flows from financing activities** | | | | |
| Principal payment of note payable | | (200) | | |
| Payment upon exercise of SARs | | (24) | | |
| Net cash used in financing activities | | (224) | | |
| **Effect of exchange rate changes on cash and cash equivalents** | | 95 | | 34 |
| **Net increase (decrease) in cash and cash equivalents** | | 7,692 | | (49,663) |
| **Cash and cash equivalents:** | | | | |
| Beginning of period | | 17,026 | | 65,292 |
| End of period | $ | 24,718 | $ | 15,629 |
| **Supplemental cash flow disclosures:** | | | | |
| Noncash investing and financing activities: | | | | |
| Capital expenditures incurred not yet paid | $ | 806 | $ | 1,260 |
| Stock-based compensation included in capital expenditures | $ | 29 | $ | 14 |
| Accounts receivable exchanged and deferred credit issued as part of consideration for other investment | $ | | $ | 894 |
| Gateway and components recorded in inventory in prior years and used for construction under satellite network and other equipment | $ | 53 | $ | 129 |
| Common stock issued as a form of payment for bonus | $ | 125 | $ | |
| 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 | $ | |

*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, 2011 and 2010**
**(in thousands, except share data)**
**(Unaudited)**

| | Series A convertible preferred stock | | Common stock | | Additional paid-in capital | Accumulated other comprehensive income | Accumulated deficit | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | | |
| **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 for exercise of SARs | | | | | (24) | | | | (24) |
| Net loss | | | | | | | (1,272) | (30) | (1,302) |
| Cumulative translation adjustment | | | | | | 80 | | (192) | (112) |
| **Balances, June 30, 2011** | 183,550 | $ 1,834 | 45,630,194 | $ 46 | $ 243,260 | $ 1,206 | $ (77,856) | $ (813) | $ 167,677 |
| **Balances, January 1, 2010** | | $ | 42,455,531 | $ 42 | $ 230,512 | $ 76 | $ (71,415) | $ 1,703 | $ 160,918 |
| Vesting of restricted stock units | | | 108,086 | 1 | | | | | 1 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stock-based compensation | | | 1,038 | | | | 1,038 |
| Net income (loss) | | | | | (4,031) | 257 | (3,774) |
| Cumulative translation adjustment | | | | 372 | | 75 | 447 |
| **Balances, June 30, 2010** | $ 42,563,617 | $ 43 | $ 231,550 | $ 448 | $ (75,446) | $ 2,035 | $ 158,630 |

*See notes to condensed consolidated financial statements.*

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**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 recently acquired 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 and operated low-Earth orbit satellites 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, 2010.

In the opinion of management, the financial statements as of June 30, 2011 and for the three and six-month periods ended June 30, 2011 and 2010 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, 2011 and December 31, 2010. 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, 2011 and 2010.

Noncontrolling interests in companies are accounted for by the cost method where the Company does not exercise significant influence over the investee.

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The Company has incurred losses from inception including a net loss of $1,272 for the six months ended June 30, 2011 and as of June 30, 2011 the Company has an accumulated deficit of $77,856. As of June 30, 2011, the Company s primary source of liquidity consisted of cash, cash equivalents, restricted cash and marketable securities totaling $82,726, which the Company believes will be sufficient to provide working capital and milestone payments for its next-generation satellites for the next twelve months.

**Acquisition costs and loss on other investment**

Acquisition-related costs directly relate to the acquisition of substantially all of the assets of StarTrak Systems, LLC from Alanco Technologies, Inc.,( Alanco ). These costs include professional services expenses. For the three and six months ended June 30, 2011 acquisition-related costs were $778 and $1,035, respectively.

In connection with the acquisition of StarTrak, the Company recognized a loss of $305 on the disposition of its investment in Alanco for the difference between the fair value and the carrying value. The amount of the loss was recorded in other income (expense) in the statement of operations for the three and six months ended June 30, 2011.

**Fair Value of Financial instruments**

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 Disclosures* , 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, accounts payable and accrued expenses 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 approximates the fair value (See Note 3).

**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 value of these marketable securities, other than impairment charges, are not reported in the condensed consolidated financial statements. The fair value of the Company s marketable securities approximate their carrying value (See Note 8).

**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. Accounts that are outstanding longer than the contractual payment terms are considered past due. 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.

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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, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Caterpillar Inc. | 22.9% | 13.8% | 23.6% | 13.5% |
| Komatsu Ltd. | 15.5% | 15.4% | 16.8% | 13.7% |
| Hitachi Construction Machinery Co., Ltd. | | 11.8% | 10.1% | 12.8% |
| Asset Intelligence | | 11.5% | | 11.5% |

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

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Caterpillar Inc. | 30.4% | 19.9% |
| Asset Intelligence | 12.7% | 20.3% |

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. Provision is made for potential losses on slow moving and obsolete inventories when identified.

**Warranty Costs and deferred revenues**

The Company accrues for StarTrak s 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 of StarTrak. As the Company continues to gather additional information these accrual estimates may differ from actual results and adjustments to the estimated warranty liability would be required. The warranty accrual is included in accrued liabilities.

The Company also offers to its StarTrak customers extended warranty service agreements beyond the initial warranty for a fee. These fees are recorded as deferred revenue and recognized ratably into income over the life of the extended warranty contract.

**Income taxes**

As part of the Company s accounting for the acquisition of StarTrak, a portion of the purchase price was allocated to goodwill. The acquired goodwill is deductible for tax purposes and amortized over fifteen years for income tax purposes. Under GAAP, the acquired goodwill is not amortized in the Company s financial statements, as such, a deferred income tax expense and a deferred tax liability arise as a result of the tax deductibility for this amount for tax purposes but not for financial statement purposes. The resulting deferred tax liability, which is expected to continue to increase over time will remain on the Company s balance sheet indefinitely unless there is an impairment of the asset (See Note 3).

For the three and six months ended June 30, 2011, the Company recorded an income tax provision of $195 and $306, respectively, consisting of income generated by ORBCOMM Japan and a deferred income tax expense related to the acquired goodwill from the acquisition of StarTrak. As of 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, 2010, the Company maintained a valuation allowance against all net deferred tax assets attributable to all operations in the United States and all foreign jurisdictions as the realization of such assets was not considered more likely than not.

As of June 30, 2011, 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, 2011. The Company is subject to U.S. federal and state examinations by tax authorities from 2007. The Company does not expect any significant changes to its unrecognized tax positions during the next twelve months.

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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, 2011.

**3. Acquisition of StarTrak**

Effective on the close of business on May 16, 2011, the Company completed the acquisition of substantially all of the assets of StarTrak including but not limited to cash, accounts receivable, inventory, equipment, intellectual property, all of StarTrak s rights to customer contracts, supplier lists and assumed certain liabilities pursuant to an Asset Purchase Agreement dated as of February 23, 2011. The results of operations of StarTrak have been included in the condensed consolidated results for the period subsequent to the acquisition date of May 16, 2011.

The consideration paid to acquire StarTrak was valued at $18,242 consisting of: (i) cash subject to a final working capital adjustment, (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, (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.

In addition to the consideration paid, up to an additional gross amount of $1,500 (subject to certain reductions) in contingent payments is payable by the Company if certain revenue milestones of StarTrak are achieved for the 2011 calendar year. Any potential earn-out amount can be paid in common stock, cash or a combination at the Company s option. Any shares of common stock issued will be based on the 20-day average closing price of the common stock ending March 31, 2012 subject to certain reductions set forth in the Asset Purchase Agreement. The potential earn-out amount will be paid to Alanco stockholders and to two selling stockholders of Alanco. The earn-out amount is based on StarTrak achieving certain revenue milestones for calendar year ending December 31, 2011 payable on or before April 30, 2012. If StarTrak does not achieve the revenue milestone of at least $20,000 neither Alanco stockholders nor the two selling stockholders are entitled to an earn-out amount. The potential earn-out is calculated as follows:

$250 if StarTrak achieves at least $20,000 in total revenues;

plus an additional $750 such additional amount to be pro-rated on a straight line basis, if StarTrak achieves between $20,000 and $22,000 in total revenues;

plus an additional $250 if StarTrak achieves at least $23,000 in total revenues; and

plus an additional $250 if StarTrak achieves at least $24,000 in total revenues.

The Company accounted for the acquisition pursuant to FASB Topic ASC 805, *Business Combinations* . In accordance with ASC 805, the estimated purchase price was allocated to intangible assets and identifiable assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase price over the net assets and liabilities assumed was recorded as goodwill.

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The preliminary estimated fair values of the purchase price are as follows:

| | | |
|---|---|---|
| Cash consideration | $ | 1,893 |
| Forgiveness of 6% secured promissory note advanced to Alanco on February 23, 2011 including interest of $4 | | 304 |
| Contingent earn-out consideration | | |
| The Company s investment in preferred stock and common stock of Alanco delivered back to Alanco | | 2,050 |
| $3,900 6% secured promissory note payable issued to a lender and stockholder of Alanco | | 3,812 |
| Issuance of 183,550 shares of Series A convertible preferred stock | | 1,834 |
| Issuance of 2,869,172 shares of common stock (valued at $2.91 per share, which reflects the Company s common stock closing price on May 16, 2011) | | 8,349 |
| Total | $ | 18,242 |

**Contingent earn-out consideration**

As of the acquisition date, the fair value of the contingent earn-out amount was estimated to be nil. The estimated fair value of the earn-out was determined using weighted probabilities to achieve the revenue milestones. The Company estimated the fair value of the contingent consideration using a probability-weighted discounted cash flow model discounted at 19.0%. The fair value measurement is 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 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.

**Investment in Alanco**

The Company accounted for the investment in Alanco at cost, or $2,356. The investment consisted of an initial purchase of 500,000 shares of Alanco s Series E convertible preferred stock for $2,250, and 73,737 shares of common stock received as payment of dividends on the Series E convertible preferred stock totaling $106. The fair value of the Series E convertible preferred stock was estimated using a combination of an income approach for the debt component and the Black-Scholes option pricing model for the option component. The rate utilized to discount the net cash flows to the present value for the debt component was 20.0% based on a private-equity rate of return for this security. The fair value of the option component was de minimis. The fair value of the common stock dividends was based on Alanco s closing stock price as of May 16, 2011. The Company recorded a loss of $305 on the revaluation of its investment in Alanco, triggered by the acquisition, for the difference between the fair value and the carrying value at the date of acquisition. Such loss was recorded prior to tendering the shares to Alanco. The loss is recorded in other income (expense) in the statement of operations for the three and six months ended June 30, 2011.

**$3,900 6% secured promissory note payable issued to a lender and stockholder of Alanco**

The fair value of the note payable was estimated using an income approach-yield analysis based on the contractual interest and principal payments. The rate utilized to discount the net cash flows to the present value was 6.85%, which was based on: (i) comparable loan indices with similar structure and credit and (ii) comparable companies. As a result, the Company recognized a fair value adjustment of $88, which reduced the carrying value of the note. This amount will be amortized to interest expense using the effective interest method which will increase the carrying value of the note through the maturity date (See Note 15).

***Series A convertible preferred stock***

The face value of the Series A convertible preferred stock is $1,836 and the estimated fair value is $1,834. As a result, the face value will be accreted up to the fair value using the effective interest method through the date of redemption (See Note 16).

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**Preliminary Estimated Purchase Price Allocation**

The total preliminary estimated purchase price was allocated to the net assets based upon their preliminary estimated fair values as of the close of business on May 16, 2011 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, and the revisions may materially affect the presentation in the Company s consolidated balance sheet. Any change to the initial estimates of the assets and liabilities acquired will be recorded as adjustments to goodwill throughout the measurement period. The areas of the preliminary purchase price allocation that are not yet finalized relate to the fair values of certain net assets and liabilities, including deferred warranty revenues and warranty liabilities, in tangible assets, goodwill and the final working capital adjustment. The Company anticipates finalizing the purchase price allocation by the end of 2011. The preliminary estimated purchase price allocation is as follows:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 322 |
| Accounts receivable | | 1,535 |
| Inventory | | 2,085 |
| Other current and noncurrent assets | | 279 |
| Indemnification assets | | 379 |
| Property, plant and equipment | | 303 |
| Intangible assets | | 7,600 |
| Total identifiable assets acquired | | 12,503 |
| Accounts payable and accrued expenses | | (1,755) |
| Deferred warranty revenues | | (400) |
| Warranty liabilities | | (1,050) |
| Patent infringement claim | | (155) |
| Total liabilities assumed | | (3,360) |
| Net identifiable assets acquired | | 9,143 |
| Goodwill | | 9,099 |
| Total preliminary purchase price | $ | 18,242 |

**Intangible Assets**

The fair values of the trademarks and the technology, and patents 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 19% was selected to reflect risk characteristics of these tangible assets. The discount rate was applied to the projected cash flows associated with the assets in order to value these intangible assets. The remaining useful lives of the technology and patents and trademarks were based on historical product development cycles, the projected rate of technology migration and the pattern of projected economic benefit of these intangible assets. The remaining useful lives of customer relationships were based on customer attrition and the future economic benefit (See Note 11).

| | Estimated useful life (in years) | | Amount |
|---|---|---|---|
| Technology and patents | 10 | $ | 3,900 |
| Customer relationships | 10 | | 2,900 |

| | | |
|---|---|---|
| Trademarks | 10 | 800 |
| | | $ 7,600 |

**Goodwill**

Goodwill represents the excess of the preliminary estimated purchase consideration over the preliminary estimated fair values of the underlying net tangible and intangible assets. In accordance FASB Topic 350, *Intangibles-Goodwill and Other* , goodwill will not be amortized, but instead will be tested for impairment at least annually and whenever events or circumstances have occurred, that may indicate a possible impairment. In the event the Company determines the fair value of goodwill has become impaired, the Company will incur an accounting charge for the amount of impairment during the fiscal period in which the determination is made (See Note 11).

The acquisition of StarTrak enables the Company to create a global technology platform to transfer capabilities across new and existing vertical markets and deliver complementary products to the Company s channel partners and resellers worldwide. In addition, the acquisition provides an opportunity to drive new subscribers to the Company s global communications network while accelerating the growth of StarTrak s suite of products by adding scale and providing subscriber management tools. These factors contributed to a preliminary purchase price resulting in the recognition of goodwill. The acquired goodwill is deductible for income tax purposes over fifteen years.

**Deferred warranty revenues**

In connection with the preliminary estimated purchase price allocation, the Company estimated the fair value of the service obligations assumed from StarTrak. The estimated fair value of the service obligations was determined using a version of the income approach, known as the build-up method to estimate the cost necessary to fulfill the obligations plus a normal profit margin on the fulfillment effort. The estimated costs to fulfill the service obligations were based on StarTrak s historical direct costs and indirect costs related to StarTrak s service agreements with its customers. Direct costs include personnel directly engaged in providing service and support activities, while indirect costs consist of estimated general and administrative expenses based on an overall margin of StarTrak s business (See Note 13).

**Warranty liabilities and Escrow Agreement**

As a result of the acquisition of StarTrak on May 16, 2011, the Company acquired 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. The Company s analysis of the warranty liabilities associated with the one-year warranty coverage are estimated based on the historical costs of StarTrak to replace or fix products for customers, and additional liability for warranty coverage for other specific claims that are expected to be incurred within the next twelve months, for which it is estimated that customers may have a warranty claim. As the Company continues to gather additional information, these accrual estimates may differ from actual results and adjustments to the estimated warranty liability would be required. The Company will continue to evaluate warranty liabilities relating to the acquisition of StarTrak throughout the measurement period. If the Company determines that adjustments to these amounts are required during the remainder of the measurement period such amounts will be recorded as an adjustment to goodwill.

The Company is estimating additional warranty obligations of $1,050 related to warranty claims the Company is investigating. These claims vary in nature, and the range of additional warranty obligations is estimated between $1,050 and $1,700. This amount has not yet been fair valued. The Company is currently in the process of determining the extent of the additional warranty obligations and any changes during the remainder of the measurement period to the estimate will be an adjustment to goodwill.

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. As of June 30, 2011, the Company has recorded $304 relating to the escrow agreement as an indemnification asset, which is included in other assets.

**Patent infringement liability and Escrow Agreement**

StarTrak is a named defendant in a patent infringement action filed by Innovative Global Systems LLC ( Innovative Global Systems ) in the United States District Court for the Eastern District of Texas. In July 2011, a settlement agreement was reached under which Innovative Global Systems will dismiss the patent infringement action and grant StarTrak and StarTrak Information Technologies, LLC, a wholly owned subsidiary of ORBCOMM holding the acquired StarTrak assets, a license in the patents-in-suit and certain other patents. Under the settlement agreement Innovative Global Systems will receive the amount of $155, which amount was agreed in principle in May 2011. Accordingly, the Company recognized a liability relating to the patent infringement action for $155 on the date of acquisition.

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 patent infringement action incurred or suffered

by the Company. Upon a final disposition of the action by the courts, the Company will direct the escrow agent to release to the Company from the escrow account shares of common stock valued at $3.001 per share equal to 50% of the damages incurred or suffered by the Company. As a result of the settlement agreement, the Company has recorded $75 relating to this escrow agreement as an indemnification asset, which is included in prepaid expenses and other current assets.

**Pre-Acquisition Contingencies**

The Company has evaluated and continues to evaluate pre-acquisition contingencies related to StarTrak that existed as of the acquisition date. If these pre-acquisition contingencies that existed as of the acquisition date become probable of occurring 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.

**Pro Forma Results for StarTrak Acquisition**

The following table presents the unaudited pro forma results (including StarTrak) for the three and six months ended June 30, 2011 and 2010 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 acquisition had taken place at the beginning of each period presented.

The amount of StarTrak s revenues and net loss included in the Company s condensed consolidated statements of operations from the acquisition date to June 30, 2011 and the revenues, net income (loss) attributable to ORBCOMM Inc. and the net income (loss) available to common stockholders of the combined entity had the acquisition date been January 1, 2010, are as follows:

The supplemental pro forma revenues, net income (loss) attributable to ORBCOMM Inc. and the net income (loss) available to common stockholders for the periods presented in the table below were adjusted to include the amortization of the intangible assets, interest expense on the 6% secured promissory note, income tax expense and record dividends on the Series A convertible preferred stock calculated from January 1, 2010 to the acquisition date. Also the supplemental pro forma information was adjusted to exclude acquisition costs and elimination of intercompany transactions.

| | Revenues | Net Income (loss) Attributable ORBCOMM Inc. | Net Income (loss) Available to Common Stockholders |
|---|---|---|---|
| Actual from May 17, 2011 to June 30, 2011 | $ 2,181 | $ (253) | $ (253) |
| Supplemental pro forma for the three months ended June 30, 2011 | $ 12,619 | $ 183 | $ 165 |
| Supplemental pro forma for the three months ended June 30, 2010 | $ 11,802 | $ (3,989) | $ (4,007) |
| Supplemental pro forma for the six months ended June 30, 2011 | $ 24,232 | $ (639) | $ (675) |
| Supplemental pro forma for the six months ended June 30, 2010 | $ 22,840 | $ (4,831) | $ (4,867) |

**4. Discontinued Operations**

On August 5, 2010, Stellar Satellite Communications, Ltd. ( Stellar ) entered into an Asset Purchase Agreement with Quake Global, Inc., a manufacturer of satellite communicators to purchase Stellar. Under the terms of the Asset Purchase Agreement, the Company will receive royalty payments contingent on future product sales of inventory as defined in the Asset Purchase Agreement. The Company will recognize the future royalty payments when they are received and the contingency is resolved in accordance with FASB Topic ASC 450 Contingencies . For the three and six months ended June 30, 2011, the Company received royalty payments totaling $29 and $99, respectively, which are included in continuing operations in its condensed consolidated statements of operations. For the three-month and six-month periods ended June 30, 2011, the Company had no discontinued operations.

A summary of discontinued operations for the three and six months ended June 30, 2010 is as follows:

| | Three months ended June 30, 2010 | Six months ended June 30, 2010 |
|---|---|---|
| Revenues- Product sales | $ 184 | $ 429 |
| Loss from discontinued operations | $ (3,479) | $ (3,570) |

**5. Comprehensive Loss**

The components of comprehensive loss are as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net loss | $ (576) | $ (3,184) | $ (1,302) | $ (3,774) |
| Foreign currency translation adjustment | 89 | 280 | (112) | 447 |
| Comprehensive loss | (487) | (2,904) | (1,414) | (3,327) |
| Comprehensive income (loss) attributable to noncontrolling interests | (77) | 200 | (222) | 332 |
| Comprehensive loss attributable to ORBCOMM Inc. | $ (410) | $ (3,104) | $ (1,192) | $ (3,659) |

**6. Stock-based Compensation**

The Company s share-based compensation plans consist of its 2006 Long-Term Incentives Plan (the 2006 LTIP ) and its 2004 Stock Option Plan. On April 28, 2011, the Company s stockholders approved an amendment to the 2006 LTIP to increase the maximum number of shares available for grant by 5,000,000 shares to 9,641,374. As of June 30, 2011, there were 5,362,902 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, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $396 and $592, respectively. For the three months ended June 30, 2011 and 2010, the Company capitalized stock-based compensation of $15 and $11, respectively. For the six months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $659 and $1,024, respectively. For the six months ended June 30, 2011 and 2010, the Company capitalized stock-based compensation of $29 and $14, respectively. The components of the Company s stock-based compensation expense are presented below:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Stock appreciation rights | $ 276 | $ 454 | $ 485 | $ 766 |
| Restricted stock units | 120 | 138 | 174 | 258 |
| Total | $ 396 | $ 592 | $ 659 | $ 1,024 |

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As of June 30, 2011, the Company had unrecognized compensation costs for all share-based payment arrangements totaling $1,770.

***Time-Based Stock Appreciation Rights***

During the six months ended June 30, 2011, the Company granted 178,000 time-based SARs, which vest through May 2014. The weighted-average grant date fair value of these SARs was $1.89 per share.

A summary of the Company s time-based SARs for the six months ended June 30, 2011 is as follows:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Outstanding at January 1, 2011 | 2,000,667 | $ 4.07 | | |
| Granted | 178,000 | 2.91 | | |
| Exercised | (4,000) | 2.46 | | |
| Forfeited or expired | | | | |
| Outstanding at June 30, 2011 | 2,174,667 | $ 3.98 | 7.70 | $ 635 |
| Exercisable at June 30, 2011 | 1,426,334 | $ 4.73 | 7.05 | $ 204 |
| Vested and expected to vest at June 30, 2011 | 2,174,667 | $ 3.98 | 7.70 | $ 635 |

For the three months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $130 and $360 relating to these SARs, respectively. For the six months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $247 and $627 relating to these SARs, respectively. As of June 30, 2011, $1,049 of total unrecognized compensation cost related to these SARs is expected to be recognized through May 2014.

The intrinsic value of the SARs exercised was $4 for the six months ended June 30, 2011.

***Performance-Based Stock Appreciation Rights***

During the six months ended June 30, 2011, the Company granted 291,333 performance-based SARs for 2011 financial and operational targets, which are expected to vest in the first quarter of 2012. As of June 30, 2011, the Company estimates that 100% of the performance targets will be achieved. The weighted-average grant date fair value of these SARs was $2.14 per share.

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A summary of the Company s performance-based SARs for the six months ended June 30, 2011 is as follows:

| | Number of Shares | Weighted-Average Exercise Price | | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (In thousands) | |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2011 | 567,146 | $ | 6.00 | | | |
| Granted | 291,333 | | 3.39 | | | |
| Exercised | (19,500) | | 2.30 | | | |
| Forfeited or expired | (89,013) | | 2.45 | | | |
| Outstanding at June 30, 2011 | 749,966 | $ | 5.50 | 8.17 | $ | 147 |
| Exercisable at June 30, 2011 | 458,634 | $ | 6.85 | 7.18 | $ | 142 |
| Vested and expected to vest at June 30, 2011 | 749,966 | $ | 5.50 | 8.17 | $ | 147 |

For the three months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $146 and $94 relating to these SARs, respectively. For the six months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $238 and $139 relating to these SARs, respectively. As of June 30, 2011, $441 of total unrecognized compensation cost related to these SARs is expected to be recognized through the first quarter of 2012.

The intrinsic value of the SARs exercised was $20 for the six months ended June 30, 2011.

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. The expected volatility was based on an average of the Company s historical volatility over the expected terms of the SAR awards and the comparable publicly traded companies historical volatility. The Company uses the simplified method to determine the expected terms of SARs due to no 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.

| | Six months ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| Risk-free interest rate | 2.14% to 2.34% | 2.27% and 2.65% |
| Expected life (years) | 5.50 and 6.0 | 5.50 and 6.0 |
| Estimated volatility | 71.48% to 74.34% | 85.95% and 83.67% |
| Expected dividends | None | None |

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***Time-based Restricted Stock Units***

During the six months ended June 30, 2011, the Company granted 120,000 time-based RSUs, which vest in January 2012.

A summary of the Company s time-based RSUs for the six months ended June 30, 2011 is as follows:

| | Shares | | Weighted-Average Grant Date Fair Value |
|---|---|---|---|
| Balance at January 1, 2011 | 156,624 | $ | 2.90 |
| Granted | 120,000 | | 2.97 |
| Vested | (79,957) | | 2.30 |
| Forfeited or expired | | | |
| Balance at June 30, 2011 | 196,667 | $ | 3.19 |

For the three months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $120 and $138 related to these RSUs, respectively. For the six months ended June 30, 2011 and 2010, the Company recorded stock-based compensation expense in continuing operations of $174 and $258 related to these RSUs, respectively. As of June 30, 2011, $280 of total unrecognized compensation cost related to these RSUs is expected to be recognized through July 2012.

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.

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**2004 Stock Option Plan**

A summary of the status of the Company s stock options as of June 30, 2011 is as follows:

| | Number of Shares | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (In thousands) |
|---|---|---|---|---|
| Outstanding at January 1, 2011 | 757,828 | $ 2.97 | | |
| Granted | | | | |
| Exercised | | | | |
| Forfeited or expired | | | | |
| Outstanding at June 30, 2011 | 757,828 | $ 2.97 | 2.71 | $ 357 |
| Exercisable at June 30, 2011 | 757,828 | $ 2.97 | 2.71 | $ 357 |
| Vested and expected to vest at June 30, 2011 | 757,828 | $ 2.97 | 2.71 | $ 357 |

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**7. Net Loss per Common Share**

Basic net loss per common share is calculated by dividing net loss attributable to ORBCOMM Inc. by the weighted-average number of common shares outstanding for the period. Diluted net loss per common share is the same as basic net loss per common share, because potentially dilutive securities such as Series A convertible preferred stock, SARs, RSUs and stock options would have an antidilutive effect as the Company incurred a net loss for the three and six months ended June 30, 2011 and 2010.

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

| | Six months ended June 30, | |
|---|---|---|
| | **2011** | **2010** |
| Series A convertible preferred stock | 305,814 | |
| SARs | 2,924,633 | 2,559,813 |
| RSUs | 196,667 | 239,957 |
| Stock options | 757,828 | 782,079 |
| | 4,184,942 | 3,581,849 |

**8. Marketable Securities**

As of June 30, 2011 and December 31, 2010, 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, 2011** | | | **December 31, 2010** | | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Gross Unrealized Gains | Fair Value | Gross Unrealized Losses | Gross Unrealized Gains |
| U.S. government and agency obligations | $ 28,147 | $ 20 | $ 8 | $ 39,926 | $ 18 | $ 5 |
| Corporate obligations | 16,739 | 5 | | 24,108 | 18 | 3 |
| FDIC-insured certificates of deposit | 9,880 | 5 | | 3,837 | 3 | |
| | $ 54,766 | $ 30 | $ 8 | $ 67,871 | $ 39 | $ 8 |

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, 2011 and December 31, 2010, the gross unrealized losses of $30 and $39, 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, 2011 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, 2011 and 2010.

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**9. Satellite Network and Other Equipment**

Satellite network and other equipment consisted of the following:

| | Useful life (years) | June 30, 2011 | December 31, 2010 |
|---|---|---|---|
| Land | | $ 381 | $ 381 |
| Satellite network | 1-10 | 33,505 | 32,560 |
| Capitalized software | 3-5 | 1,725 | 1,646 |
| Computer hardware | 5 | 1,339 | 1,247 |
| Other | 5-7 | 1,517 | 1,311 |
| Assets under construction | | 64,445 | 62,374 |
| | | 102,912 | 99,519 |
| Less: accumulated depreciation and amortization | | (29,426) | (27,835) |
| | | $ 73,486 | $ 71,684 |

During the six months ended June 30, 2011 and 2010, the Company capitalized costs attributable to the design and development of internal-use software in the amount of $149 and $107, respectively. Depreciation and amortization expense for the three months ended June 30, 2011 and 2010 was $925 and $533, respectively. This includes amortization of internal-use software of $85 and $72 for the three months ended June 30, 2011 and 2010, respectively. Depreciation and amortization expense for the six months ended June 30, 2011 and 2010 was $1,712 and $1,558, respectively. This includes amortization of internal-use software of $176 and $183 for the six months ended June 30, 2011 and 2010, 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.

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**10. Restricted Cash**

Restricted cash consists of the remaining cash collateral of $3,000 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. The Company certified completion of a third milestone. The FCC has not yet issued a ruling on the certification of the third milestone. The Company has classified $1,000 of restricted cash for the third milestone as a current asset and the remaining $2,000 as a non-current asset at June 30, 2011 and December 31, 2010.

At December 31, 2010, restricted cash also included $680 deposited into an escrow account under the terms of a procurement agreement for the quick-launch satellites. During the six months ended June 30, 2011, $500 was paid to the supplier and the balance of $180 was returned to the Company.

At December 31, 2010, restricted cash also included $350 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. During the six months ended June 30, 2011, the cellular wireless provider reduced the amount of the letter of credit by $130 which was refunded to the Company.

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

**11. Goodwill and Intangible Assets**

The Company s intangible assets consisted of the following:

| | | June 30, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|---|
| | Useful life (years) | Cost | Accumulated amortization | Net | Cost | Accumulated amortization | Net |
| Acquired licenses | 6 | $ 8,115 | $ (7,744) | $ 371 | $ 8,115 | $ (7,001) | $ 1,114 |
| Patents and technology | 10 | 3,900 | (49) | 3,851 | | | |
| Trademarks | 10 | 800 | (10) | 790 | | | |
| Customer lists | 10 | 2,900 | (36) | 2,864 | | | |
| | | $ 15,715 | $ (7,839) | $ 7,876 | $ 8,115 | $ (7,001) | $ 1,114 |

Amortization expense was $467 and $372 for the three months ended June 30, 2011 and 2010, respectively.

Amortization expense was $838 and $743 for the six months ended June 30, 2011 and 2010, respectively.

***Goodwill***

Goodwill allocated to the Company s one business segment relates to the acquisition of StarTrak (See Note 3).

***Intangible Assets***

The acquired licenses have a remaining useful lives of three months. The patents and the technology, trademarks and customer lists relate to the acquisition of StarTrak (See Note 3).

Estimated amortization expense for intangible assets subsequent to June 30, 2011 is as follows:

| Years ending December 31, | |
|---|---|
| Remainder of 2011 | $ 751 |
| 2012 | 760 |
| 2013 | 760 |
| 2014 | 760 |
| 2015 | 760 |
| Thereafter | 4,085 |

| | |
|---|---|
| $ | 7,876 |

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**12. Accrued Liabilities**

The Company s accrued liabilities consisted of the following:

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| Accrued compensation and benefits | $ 1,661 | $ 2,151 |
| Accrued interest | 915 | 857 |
| Deferred rent payable | 126 | 112 |
| Warranty | 1,066 | |
| Other accrued expenses | 3,093 | 2,923 |
| | $ 6,861 | $ 6,043 |

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As of June 30, 2011, accrued warranty obligations consisted of the following:

| | | |
|---|---|---|
| Balance at January 1, 2011 | | |
| Warranty liabilities assumed from the acquisition of StarTrak (See Note 3) | | 1,050 |
| Warranty expense | | 40 |
| Warranty charges | | (24) |
| Balance at June 30, 2011 | $ | 1,066 |

**13. Deferred Revenues**

Deferred revenues consisted of the following:

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| Service activation fees | $ | 2,223 | $ | 2,277 |
| Prepaid services | | 1,134 | | 1,067 |
| Warranty revenues | | 307 | | |
| Manufacturing license fees | | 22 | | 29 |
| | | 3,686 | | 3,373 |
| Less current portion | | (2,286) | | (2,134) |
| Long-term portion | $ | 1,400 | $ | 1,239 |

**14. 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, 2011, the principal balance of the note payable was 1,138 ($1,639) and it had a carrying value of $1,606. At December 31, 2010, the principal balance of the note payable was 1,138 ($1,514) and it had a carrying value of $1,416. 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 is being amortized to interest expense over the estimated life of the note of six years. The amortization to interest expense related to the note for the three months and six months ended June 30, 2011 and 2010 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, 2012.

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## 15. Note Payable

On May 16, 2011, the Company issued a $3,900 6% secured promissory note to a 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. The Company made a $200 principal payment on May 16, 2011 in accordance with the terms of note agreement. As of June 30, 2011, the note payable balance is presented net of the unamortized debt discount of $85 (See Note 3). For the three and six months ended June 30, 2011, the Company recognized debt discount of $3, which is included in interest expense. The remaining principal payments are due in quarterly installments beginning on March 31, 2012 with a balloon payment due on December 31, 2015 is as follows:

| Years ending December 31, | | |
|---|---|---|
| Remainder of 2011 | $ | |
| 2012 | | 250 |
| 2013 | | 300 |
| 2014 | | 400 |
| 2015 | | 2,750 |
| | $ | 3,700 |

## 16. Stockholders Equity

***Series A convertible preferred stock***

As part of the purchase price to acquire StarTrak, the Company issued 183,550 shares of Series A convertible preferred stock.

Key terms of the Series A convertible preferred stock are as follows:

***Dividends***

Holders of the Series A convertible preferred stock are entitled to receive a cumulative 4% dividend annually (calculated on the basis of the redemption price of $10.00 per share) payable quarterly in additional shares of the Series A convertible preferred stock. As of June 30, 2011, dividends in arrears was $9.

***Conversion***

Shares of the Series A convertible preferred stock are convertible into 1.66611 shares of common stock: (i) at the option of the holder at any time up to two years from the issuance date or (ii) at the option of the Company beginning six months from the issuance date and if the average closing market price for the Company s common stock for the preceding twenty consecutive trading days equals or exceeds $11.20 per share.

***Voting***

Each share of the Series A convertible preferred stock is entitled to one vote for each share of common stock into which the preferred stock is convertible.

***Liquidation***

In the event of any liquidation, sale or merger of the Company the holders of the Series A convertible preferred stock are entitled to receive prior to and in preference over the common stock, an amount equal to $10.00 per share plus unpaid dividends.

***Redemption***

The Series A convertible preferred stock may be redeemed by the Company for an amount equal to the issuance price of $10.00 per share plus all unpaid dividends at any time after two years from the issuance date.

***Common Stock***

During the six months ended June 30, 2011, the Company issued 34,115 shares of its common stock as a form of payment for bonuses.

As of June 30, 2011, the Company has reserved 9,242,030 shares of common stock for future issuances related to employee stock compensation plans.

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**17. 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, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| United States | 85% | 79% | 84% | 79% |
| Japan | 14% | 15% | 15% | 16% |
| Other | 1% | 6% | 1% | 5% |
| | 100% | 100% | 100% | 100% |

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## 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 will construct eighteen low-earth-orbit satellites in three sets of six satellites ( shipsets ) for the Company s next-generation satellites (the Initial Satellites ). Under the agreement, SNC will also provide launch support services, a test satellite (excluding the mechanical structure), a satellite software simulator and the associated ground support equipment. Under the agreement, the Company had the option, which expired on May 5, 2011, to order up to thirty additional satellites substantially identical to the Initial Satellites (the Optional Satellites ) at specified firm fixed prices. The Company and SNC are in discussions regarding extending the date by which the Optional Satellites are exercisable, as well as the price for the Optional Satellites.

The total contract price for the Initial Satellites 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 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 six satellites.

The agreement also requires SNC to complete the pre-ship review of the Initial Satellites (i) no later than 24 months after the execution of the agreement for the first shipset of six satellites, (ii) no later than 31 months after the execution of the agreement for the second shipset of six satellites and (iii) no later than 36 months after the execution of the agreement for the third shipset of six satellites. SNC has not completed any of the pre-ship reviews of the Initial Satellites within the original required periods. The Company and SNC are in discussions regarding the impact of such delay, which may lead to a delay in commencing the SpaceX Launch Services schedule as described below. Payments under the agreement began upon the execution of the agreement and continue upon SNC s successful completion of each payment milestone.

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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As of June 30, 2011, the Company has made milestone payments of $42,120 under the agreement. The Company anticipates making payments under the agreement of $15,000 during the remainder of 2011. Under the agreement, SNC has agreed to provide the Company with an optional secured credit facility for up to $20,000 commencing 24 months after the execution of the agreement and maturing 44 months after the effective date. If the Company elects to establish and use the credit facility it and SNC will enter into a formal credit facility on terms established in the agreement.

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 to provide launch services on Falcon 9 launch vehicles instead of the Falcon 1e launch vehicle.

The Company anticipates that the Launch Services will be performed between the end of 2011 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, 2011, the Company has made milestone payments of $10,080 under the SpaceX Agreement. The Company does not anticipate making payments under the agreement during the remainder of 2011.

***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 will receive 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.

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The AIS Satellite Agreement provides 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, with the first scheduled for third quarter of 2011 and the second anticipated in early 2012. In addition, to the extent that both AIS microsatellites are successfully operating after launch, the Company will pay OHB lease payments of up to $546, subject to certain adjustments, over thirty-six months. At the Company s option after thirty-six months it can continue the exclusive licenses for the data with a continuing payment of up to $6 per month. In addition, OHB will also be 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.

As of June 30, 2011, the Company has made milestone payments of $1,000 under the AIS Satellite Agreement. The Company anticipates making the remaining milestone payments under the agreement of $1,000 during the remainder of 2011.

***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, 2011 and 2010, airtime credits used totaled approximately $8 and $11, respectively. For the six months ended June 30, 2011 and 2010, airtime credits used totaled approximately $16 and $23, respectively. As of June 30, 2011 and December 31, 2010, unused credits granted by the Company were approximately $2,175 and $2,191, respectively

***Litigation***

From time to time, the Company is involved in various 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.

## 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: the impact of global recession and continued worldwide credit and capital constraints; substantial losses we have incurred and expect to continue to incur; demand for and market acceptance of our products and services and the applications developed by our resellers; loss or decline or slowdown in the growth in business from Asset Intelligence, a subsidiary of I.D. Systems, Inc. ( AI ), 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; our acquisition of the StarTrak Systems, LLC ( StarTrak ) business may expose us to additional risks; litigation proceedings; technological changes, pricing pressures and other competitive factors; the inability of our international resellers to develop markets outside the United States; market acceptance and success of our Automatic Identification System ( AIS ) business; the ability to restore commercial-level AIS service in the near term; satellite launch and construction delays and cost overruns of our next-generation satellites; in-orbit satellite failures or reduced performance of our existing satellites; 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, 2010. 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 and accompanying ground infrastructure. Our two-way communications system enables our customers and end-users, which include large and established multinational businesses and government agencies, to track, monitor, control and communicate cost-effectively with fixed and mobile assets located anywhere in the world. 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 our satellite subscriber communicators with devices for terrestrial-based technologies. As a result, our customers are now able to integrate into their applications a terrestrial communications device that will allow them to send and receive messages, including data intensive messaging using the cellular providers wireless networks.

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 using a single global satellite technology standard for machine-to-machine and telematic, or M2M, data communications. 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, and oil wells. Our customers include original equipment manufacturers, or OEMs, such as Caterpillar Inc., ( Caterpillar ), Doosan Infracore America, Hitachi Construction Machinery Co., Ltd., ( Hitachi ), Hyundai Heavy Industries, Komatsu Ltd., ( Komatsu ), 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 AI, XATA Corporation and American Innovations, Ltd., and U.S. government agencies.

As a result of our acquisition of StarTrak on May 16, 2011, we now provide customers with the ability to proactively monitor, manage and remotely control their refrigerated transport assets. StarTrak is an innovator and leading provider of tracking, monitoring and control services for the refrigerated transport market. Their information services 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, StarTrak s customers include well-known brands such as Tropicana, Maersk Line, Prime Inc, CR England, FFE Transport, Inc. and Exel Transportation. The acquisition of StarTrak enables 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. In addition, the acquisition provides an opportunity to drive new subscribers to our global communications network while accelerating the growth of StarTrak s suite of products by adding scale and providing subscriber management tools.

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Through our M2M data 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.

Global economic conditions, including a global economic recession, along with unprecedented credit and capital constraints in the capital markets have created a challenging economic environment leading to a lack of customer confidence. Our worldwide operations and performance depend significantly on global economic conditions and their impact on our customers decisions to purchase our services and products. Economic conditions in many parts of the world remain weak or may even deteriorate further in the foreseeable future. The worldwide economic turmoil may have a material adverse effect on our operations and financial results, and we may be unable to predict the scope and magnitude of its effects on our business. VARs and end users in any of our target markets, including in commercial transportation and heavy equipment, have and may experience unexpected fluctuations in demand for their products, as our end users alter purchasing activities in response to this economic volatility. Our customers may change or scale back product development efforts, the roll-out of service applications, product purchases or other sales activities that affect purchases of our products and services, and this could adversely affect the amount and timing of revenue for the long-term future, leaving us with limited visibility in the revenue we can anticipate in any given period. These economic conditions also affect our third party manufacturers, and if they are unable to obtain the necessary capital to operate their business, this may also impact their ability to provide the subscriber communicators that our end-users need, or may adversely affect their ability to provide timely services or to make timely deliveries of products or services to our end-users. It is currently unclear as to what overall effect these economic conditions and uncertainties will have on our existing customers and core markets, and future business with existing and new customers in our current and future markets.

***Acquisition of StarTrak***

Effective on the close of business on May 16, 2011, we completed the acquisition of substantially all of the assets of StarTrak, a wholly-owned subsidiary of Alanco Technologies, Inc., ( Alanco ) including but not limited to cash, accounts receivable, inventory, equipment, intellectual property, all of StarTrak s rights to customer contracts, supplier lists and assumed certain liabilities pursuant to an Asset Purchase Agreement dated as of February 23, 2011. The consideration paid to acquire StarTrak was valued at $18.2 million consisting of: (i) cash subject to a final working capital adjustment, (ii) forgiveness of the 6% secured promissory note advanced by us to Alanco on February 23, 2011, (iii) note payable issued to a lender and stockholder of Alanco, (iv) common stock, (v) Series A convertible preferred stock and (vi) delivery of our investment in preferred stock and common stock of Alanco back to Alanco.

In addition to the consideration paid, up to an additional gross amount of $1.5 million (subject to certain reductions) in contingent payments is payable by us if certain revenue milestones of StarTrak are achieved for the 2011 calendar year. The initial estimate of the fair value of the contingent consideration is nil. The estimated fair value of the earn-out was determined using weighted probabilities to achieve the revenue milestones discounted at 19.0%. Any change in the fair value of the contingent earn-out 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.

As a result of the acquisition of StarTrak, we recognized $9.1 million of goodwill and $7.6 million of intangible assets. 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 asset.

The acquired intangible assets consist of technology and patents, customer relationships and trademarks which will be amortized over 10 years.

The results of operations of StarTrak are included in our condensed consolidated results for the period subsequent to the acquisition date of May 16, 2011. See Note 3 to the condensed consolidated financial statements for further discussion.

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**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, costs of services, warranty costs, accounts receivable, inventory, accounting for business combinations, satellite network and other equipment, long-lived assets, capitalized development costs, valuation of deferred tax assets, uncertain tax positions, provision for income taxes, 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, 2010. There have been no material changes to our critical accounting policies during 2011 except as discussed below:

***Accounting for Business Combinations***

We accounted for the acquisition of StarTrak pursuant to FASB Topic ASC 805, *Business Combinations* . In accordance with ASC 805, the estimated purchase price was allocated to intangible assets and identifiable assets acquired and liabilities assumed based on their relative fair values. The excess of the purchase price over the net tangible and intangible assets and liabilities assumed was recorded as goodwill. We have made significant assumptions and estimates in determining the preliminary estimated purchase price and the preliminary allocation of the estimated purchase in the condensed consolidated financial statements. These preliminary estimates and assumptions are subject to change as we finalize the valuations of certain assets and liabilities, including deferred revenues and warranty liabilities, intangible assets, goodwill and the final working capital adjustment. The final valuations may change significantly from the preliminary estimates. Although we believe the assumptions and estimates we have made have been reasonable and appropriate, they are based, in part, on historical experience, information obtained from the management of the acquired company and future expectations. We anticipate finalizing the purchase price allocation by the end of 2011. Examples of critical estimates in accounting for the acquisition of StarTrak include but are not limited to:

- We estimated the fair value of the contingent earn-out consideration using a probability-weighted discounted cash flow model based upon the expected achievement of the revenue milestones;
- the future expected cash flows from revenues and acquired technology and the patents and trademarks;
- the estimated useful lives of the intangible assets acquired; and
- the discount rates.

***Warranty Costs***

As a result of our acquisition of StarTrak on May 16, 2011, we acquired 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. Our analysis of the warranty liabilities associated with the one-year warranty coverage are estimated based on historical costs of StarTrak to replace or fix products for customers, and additional liability for warranty coverage for other specific claims that are expected to be incurred within the next twelve months, for which it is estimated that customers may have a warranty claim. These warranty liabilities have not yet been fair valued. As we continue to gather additional information, these accrual estimates may differ from actual results and adjustments to the estimated warranty liability would be required. We will continue to

evaluate warranty liabilities relating to the acquisition of StarTrak throughout the measurement period. If we determine that adjustments to these amounts are required during the remainder of the measurement period such amounts will be recorded as an adjustment to goodwill.

For the warranty costs subsequent to the acquisition date, we accrue for StarTrak's 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 of StarTrak. As we continue to gather additional information these accrual estimates may differ from actual results and adjustments to the estimated warranty liability would be required.

***Pre-Acquisition Contingencies***

We have evaluated and continue to evaluate pre-acquisition contingencies related to StarTrak that existed as of the acquisition date. If these pre-acquisition contingencies that existed as of the acquisition date become probable of occurring 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 our results of operations.

**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 loss or other measures of financial performance prepared in accordance with GAAP and may be different than EBITDA measures presented by other companies.

*The following table reconciles our net loss to EBITDA for the periods shown:*

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Net loss attributable to ORBCOMM Inc. | $ (541) | $ (3,296) | $ (1,272) | $ (4,031) |
| Income tax expense | 195 | | 306 | |
| Interest income | (44) | (55) | (98) | (92) |
| Interest expense | 78 | 48 | 126 | 96 |
| Depreciation and amortization | 1,393 | 904 | 2,550 | 2,301 |
| | $ 1,081 | $ (2,399) | $ 1,612 | $ (1,726) |

Three Months: EBITDA during the three months ended June 30, 2011 improved by $3.5 million over 2010. This improvement was primarily due to higher net service revenues of $1.7 million, including $1.1 million of service revenues from StarTrak and an impairment charge of $3.3 million in discontinued operations to write down net assets held for sale in 2010, which did not occur in 2011. These increases were offset by an increase in part in expenses, excluding depreciation and costs of product sales, of $1.8 million due to $0.8 million of acquisition costs and losses and $1.3 million of expenses, excluding depreciation and costs of product sales, from StarTrak.

Six Months: EBITDA during the six months ended June 30, 2011 improved by $3.3 million over 2010 including $1.1 million of service revenues of StarTrak and an impairment charge of $3.3 million in discontinued operations to write down net assets held for sale in 2010, which did not occur in 2011. These increases were offset by an increase in expenses, excluding depreciation and costs of product sales, of $2.9 million due to $1.0 million of acquisition costs and losses and $1.3 million of expenses, excluding depreciation and costs of product sales, from StarTrak.

***Revenues***

We derive service revenues from our resellers and direct customers from utilization of satellite subscriber communicators on our communications system and the reselling of airtime from 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 on our communications system 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. Service revenues also include 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 and other equipment such as gateway earth stations and related products to 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, 2011 and 2010, 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,** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2011** | | **2010** | | **2011** | | **2010** | |
| | | **% of Total** | | **% of Total** | | **% of Total** | | **% of Total** |
| Service revenues | $ 8,980 | 83.1% | $ 7,277 | 92.9% | $ 16,377 | 87.6% | $ 14,159 | 92.8% |
| Product sales | 1,829 | 16.9% | 560 | 7.1% | 2,315 | 12.4% | 1,095 | 7.2% |
| | $ 10,809 | 100.0% | $ 7,837 | 100.0% | $ 18,692 | 100.0% | $ 15,254 | 100.0% |

Three months: Total revenues for the three months ended June 30, 2011 increased $3.0 million, or 37.9%, to $10.8 million from $7.8 million for the three months ended June 30, 2010.

Six months: Total revenues for the six months ended June 30, 2011 increased $3.4 million, or 22.5%, to $18.7 million from $15.3 million for the six months ended June 30, 2010.

The increase in total revenues for the three and six months ended June 30, 2011 included $2.2 million of revenues from StarTrak.

***Service revenues***

Three months: Service revenues increased $1.7 million for the three months ended June 30, 2011, or 23.4%, to $9.0 million, or approximately 83.1% of total revenues, from $7.3 million, or approximately 92.9% of total revenues for the three months ended June 30, 2011. The increase in service revenues were primarily due to an increase in satellite and terrestrial revenue of $2.4 million from an increase in the number of billable subscriber communicators activated on our communications system which included $1.1 million of service revenues of StarTrak from the acquisition date offset by a decrease in AIS revenue of $0.8 million as our AIS service has been interrupted.

Six months: Service revenues increased $2.2 million for the six months ended June 30, 2011, or 15.7%, to $16.4 million, or approximately 87.6% of total revenues, from $14.2 million, or approximately 92.8% of total revenues for the six months ended June 30, 2010. The increase in service revenues were primarily due to an increase in satellite and terrestrial revenue of $3.5 million from an increase in the number of billable subscriber communicators activated on our communications system which included $1.1 million of service revenues of StarTrak offset by a decrease in AIS revenue of $1.5 million as our AIS service has been interrupted.

As of June 30, 2011, we had approximately 606,000 billable subscriber communicators on the ORBCOMM System compared to approximately 539,000 billable subscriber communicators as of June 30, 2010, an increase of approximately 12.3%.

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: Revenue from product sales increased $1.3 million for the three months ended June 30, 2011, or 226.9% to $1.8 million from $0.6 million for the three months ended June 30, 2010.

Six months: Revenue from product sales increased $1.2 million for the six months ended June 30, 2011, or 111.5% to $2.3 million from $1.1 million for the six months ended June 30, 2010.

The increase in product revenues for the three and six months ended June 30, 2011 over the corresponding periods were primarily due to an increase in sales to the heavy equipment sector by our Japanese subsidiary and $1.1 million of revenues from StarTrak.

***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 $0.7 million, or 23.4%, to $3.8 million for the six months ended June 30, 2011 from $3.1 million for the three months ended June 30, 2010. As a percentage of service revenues, cost of services were 41.6% for the three months ended June 30, 2011 compared to 42.1% for the three months ended June 30, 2010.

Six months: Costs of services increased by $1.0 million, or 16.8%, to $7.2 million for the six months ended June 30, 2011 from $6.2 million for the six months ended June 30, 2010. As a percentage of service revenues, cost of services were 44.0% for the six months ended June 30, 2011 compared to 43.8% for the six months ended June 30, 2010.

The increase in costs of services for the three and six months ended June 30, 2011 over the corresponding periods are primarily due to $0.6 in costs from StarTrak.

***Costs of product sales***

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

Three months: Costs of product sales increased by $1.0 million, or 284.7%, to $1.3 million for the three months ended June 30, 2011 from $0.3 million for the three months ended June 30, 2010. The increase is primarily due to $1.0 million in costs from StarTrak. We had a gross profit from product sales (revenues from product sales minus costs of product sales including distribution costs) of $0.5 million for the three months ended June 30, 2011 compared to a gross profit from product sales of $0.2 million for the three months ended June 30, 2010.

Six months: Costs of product sales increased by $1.0 million, or 143.0%, to $1.6 million for the six months ended June 30, 2011 from $0.7 million for the three months ended June 30, 2010. The increase is primarily due to $1.0 million in costs from StarTrak. We had a gross profit from product sales (revenues from product sales minus costs of product sales including distribution costs) of $0.7 million for the six months ended June 30, 2011 compared to a gross profit from product sales of $0.4 million for the six months ended June 30, 2010.

***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 $0.6 million, or 15.7%, to $4.6 million for the three months ended June 30, 2011 from $4.0 million for the three months ended June 30, 2010.
Six months: Selling, general and administrative expenses increased by $0.9 million, or 10.9%, to $9.1 million for the six months ended June 30, 2011 from $8.2 million for the six months ended June 30, 2010.
The increase in selling, general and administrative expenses for the three and six months ended June 30, 2011 over the corresponding periods are primarily due to $0.6 in costs from StarTrak.

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***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, 2011 and June 30, 2010 were $0.3 million and $0.2 million, respectively.

Product development expenses for the six months ended June 30, 2011 and June 30, 2010 were $0.5 million and $0.3 million, respectively.

The increase in product development expenses for the three and six months ended June 30, 2011 over the corresponding periods are primarily due to $0.1 in costs from StarTrak.

***Acquisition costs***

Acquisition-related costs directly relate to the acquisition of StarTrak include professional services expenses. For the three and six months ended June 30, 2011 acquisition-related costs were $0.8 million and $1.0 million, respectively.

***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 and interest expense.

Three months: For the three months ended June 30, 2011 other expense was $0.3 million compared to other income of less than $0.1 million for the three months ended June 30, 2010. The increase is primarily due to a loss 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, 2011 other expense was $0.2 million compared to other expense of $0.1 million for the six months ended June 30, 2010. The increase is primarily due to a loss 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.

***Loss from continuing operations before income taxes***

Three months: We have a loss from continuing operations before income taxes of $0.4 million for the three months ended June 30, 2011 compared to income from continuing operations before income taxes of $0.3 million for the three months ended June 30, 2010. The acquisition-related costs and the loss on disposition of our investment in Alanco of $1.1 million was the significant factor in contributing to the loss for the three months ended June 30, 2011.

Six months: We have a loss from continuing operations before income taxes of $1.0 million for the six months ended June 30, 2011 compared to a loss from continuing operations before income taxes of $0.2 million for the six months ended June 30, 2010. The acquisition-related costs and the loss on disposition of our investment in Alanco of $1.3 million was the significant factor in contributing to the loss for the six months ended June 30, 2011.

***Provision for Income taxes***

The provision for income taxes for the three months ended June 30, 2011 was $0.2 million consisting of a foreign tax expense incurred as result of income generated by ORBCOMM Japan and the goodwill generated from the acquisition of StarTrak which is tax deductible.

The provision for income taxes for the six months ended June 30, 2011 was $0.3 million consisting of a foreign tax expense incurred as result of income generated by ORBCOMM Japan and goodwill generated from the acquisition of StarTrak. As of June 30, 2011, we maintained a valuation allowance against all net deferred tax assets, other than goodwill, attributable to all operations in the United States and all other foreign jurisdictions as the realization of such assets was not considered more likely than not.

For the three and six months ended June 30, 2010, we did not record a provision for taxes as we maintained a valuation allowance against all net deferred tax assets attributable to all operations in the United States and all foreign jurisdictions as the realization of such assets was not considered more likely than not.

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***Loss from continuing operations***

Three months: We have a loss from continuing operations of $0.6 million for the three months ended June 30, 2011 compared to income from continuing operations of $0.3 million for the three months ended June 30, 2010. The acquisition-related costs and the loss on disposition of our investment in Alanco of $1.1 million was the significant factor in contributing to the loss for the three months ended June 30, 2011.

Six months: We have a loss from continuing operations of $1.3 million for the six months ended June 30, 2011 compared to a loss from continuing operations of $0.2 million for the six months ended June 30, 2010. The acquisition-related costs and loss on disposition of our investment in Alanco of $1.3 million was the significant factor in contributing to the loss for the six months ended June 30, 2011.

***Loss from discontinued operations***

Loss from discontinued operations was $3.5 million and $3.6 million for the three months and six months ended June 30, 2010, respectively.

***Noncontrolling interests***

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

***Net loss attributable to ORBCOMM Inc.***

Three months: We have a net loss attributable to our company of $0.5 million for the three months ended June 30, 2011 compared to a net loss of $3.3 million for the three months ended June 30, 2010. The acquisition-related costs and the loss on disposition of our investment in Alanco of $1.1 million was the significant factor in contributing to the loss for the three months ended June 30, 2011.

Six months: We have a net loss attributable to our company of $1.3 million for the six months ended June 30, 2011 compared to a net loss of $4.0 million for the six months ended June 30, 2010. The acquisition-related costs and the loss on disposition of our investment in Alanco of $1.3 million was the significant factor in contributing to the loss 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. Since our inception, we have financed our operations and expansion from sales of our common stock through public offerings and private placements of debt, convertible redeemable preferred stock, membership interests and common stock. We have incurred losses from inception and through June 30, 2011 we have an accumulated deficit of $77.9 million. As of June 30, 2011, our primary source of liquidity consisted of cash, cash equivalents, restricted cash and marketable securities totaling $82.7 million, which we believe will be sufficient to provide working capital and milestone payments for our next-generation satellites for the next twelve months.

***Operating activities***

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.

Cash provided by our operating activities for the six months ended June 30, 2010 was $1.1 million resulting from a net loss of $3.8 million, offset by non-cash items including a $3.3 million impairment charge to write down the net assets held for sale to their estimated fair values, $2.3 million for depreciation and amortization and $1.0 million for stock-based compensation. Working capital activities consisted of net uses of cash of $0.6 million for an increase in accounts receivable primarily due to the increase in revenues and $0.8 million from a decrease in accounts payable and accrued expenses primarily related to timing of payments.

Cash provided by our operating activities of discontinued operations for the six months ended June 30, 2010 was less than $0.1 million.

***Investing activities***

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.

Cash used in our investing activities for the six months ended June 30, 2010 was $50.8 million, resulting from capital expenditures of $2.7 million, purchases of marketable securities of $91.8 million and the purchase of a cost method investment of $1.4 million. These uses were offset by proceeds received from the maturities of marketable securities totaling $45.1 million.

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***Financing activities***

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.

For the six months ended June 30, 2010, we did not have any cash flows from financing activities.

**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 2011, we expect to incur approximately $15.0 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, 2011, as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010 except as discussed below:

On May 16, 2011, we issued a $3.9 million 6% secured promissory note payable as part of the purchase price to acquire StarTrak. We made a $200 principal payment on May 16, 2011. The remaining principal payments are due in quarterly installments beginning on March 31, 2012 with a balloon payment of $2.4 million due on December 31, 2015.

***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, 2011, 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, 2010.

**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, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Caterpillar Inc. | 22.9% | 13.8% | 23.6% | 13.5% |
| Komatsu Ltd. | 15.5% | 15.4% | 16.8% | 13.7% |
| Hitachi Construction Machinery Co., Ltd. | | 11.8% | 10.1% | 12.8% |
| Asset Intelligence | | 11.5% | | 11.5% |

**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, 2011. 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, 2011.

*Changes in Internal Control over Financial Reporting.*

We reviewed our internal control over financial reporting at June 30, 2011. As a result, of the Transaction, we have begun to integrate certain business processes and systems of the Acquired Business. 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 the Acquired Business.

There have been no other changes in our internal control over financial reporting identified in an evaluation thereof that occurred during the second fiscal quarter of 2011 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## 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, 2011, as previously disclosed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 5. Other Information

The following information updates Item 5.07 of the Current Report on Form 8-K filed on May 3, 2011 by the Company regarding the results of the Company s 2011 Annual Meeting of Shareholders held on April 28, 2011, to disclose the decision of the Company s Board of Directors regarding how frequently it will hold an advisory shareholder vote on executive compensation.

At the 2011 Annual Meeting of Shareholders, as recommended by the Company s Board of Directors, the Company s shareholders approved, on an advisory basis, holding the advisory shareholder vote on the compensation of the Company s named executive officers on an annual basis by a vote representing more than 50% of the votes cast on the proposal.

In light of these voting results and other factors considered by the Board of Directors in making its recommendation to the shareholders, at a meeting held on July 27, 2011, the Board of Directors determined that the Company will include an advisory shareholder vote on the compensation of its named executive officers in its proxy materials every year until the next advisory vote on the frequency of shareholder votes on executive compensation, which will occur no later than the Company s Annual Meeting of Shareholders in 2017.

### Item 6. Exhibits

| | |
|---|---|
| 3.1 | Certificate of Designation of Series A convertible preferred stock of the Company, filed as Exhibit 3.1 to the Company s Current Report on Form 8-K filed on May 20, 2011, is incorporated herein by reference. |
| 10. | ORBCOMM Inc. 2006 Long-Term Incentives Plan, as amended, filed as Exhibit 99 to the Company s Current Report on Form 8-K filed on May 3, 2011, is incorporated herein by reference. |
| 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, 2011

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

Date: August 9, 2011

/s/ Robert G. Costantini
Robert G. Costantini,
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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**EXHIBIT INDEX**

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