BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the Application of NextGen Communications, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Services in the State of Missouri and to Classify Said Services and the Company as Competitive.	))))))	Case No. ____________

<u>APPLICATION FOR CERTIFICATE OF SERVICE AUTHORITY</u>
<u>TO PROVIDE TELECOMMUNICATION SERVICE AND</u>
<u>FOR COMPETITIVE CLASSIFICATION</u>

Comes now NextGen Communications, Inc. ("NextGen") by its undersigned counsel, and hereby applies pursuant to Sections 392.361, 392.410, 392.420, and 392.430, 392.450 RSMo 2000, the Federal Telecommunications Act of 1996, 4 CSR 240-3.510 and 4 CSR 240-2.060, for authority to provide aggregate and transport emergency local, VoIP, telemetric, PBX, and mobile E9-1-1 traffic, manage and transmit location and calling number data, and provide call routing management for the delivery of emergency calls to Public Service Answering Points (PSAPs) throughout the State of Missouri and to classify said service and company as competitive. In support of its application states as follows:

1. Applicant is a corporation duly organized and existing under and by virtue of the laws of the State of Maryland and is authorized to conduct business in the State of Missouri. **See Exhibit A** for Articles of Incorporation and Certificate of Authority to conduct business in Missouri.

2. All inquiries, correspondence, communications, pleadings, notices, orders and decisions relating to the case should be addressed to:

Kim Robert Scovill
Senior Director – Legal and Regulatory
TeleCommunication Systems, Inc.
275 West Street – 4th Floor
Annapolis, MD 21401
Tel: 410-349-7097
Fax: 410-295-1884
kscovill@telecomsys.com

Charles W. Hatfield, Esq.
Stinson Morrison Hecker LLP
230 W. McCarty Street
Jefferson City, Missouri 65101
Tel: 573-636-6263
Fax: 573-636-6231
chatfield@stinson.com

H. Russell Frisby, Esq.
Stinson Morrison Hecker LLP
1150 18th Street, N.W., Suite 800
Washington, D.C.20036
Tel: 202-785-9100
Fax:202-785-9163
Email:rfrisby@stinson.com

3. NextGen proposes to provide basic local exchange telecommunications service on a (facilities) basis, throughout the entire State of Missouri, including all exchanges currently served by the large and small incumbent local exchange telecommunications company(ies) of Southwestern Bell Telephone, L.P. d/b/a AT&T Missouri, Embarq Missouri, Inc. d/b/a Embarq, CenturyTel of Missouri, LLC d/b/a CenturyTel, and/or Spectra Communications Group, LLC d/b/a/ CenturyTel.

4. Pursuant to this application NextGen seeks certification so that it may provide aggregate and transport emergency local, VoIP, telemetric, PBX, and mobile E9-1-1 traffic, manage, and transmit location and calling number data, and provide call routing management for the delivery of emergency calls to Public Service Answering Points (PSAPs) throughout Missouri. NextGen's services are used by large wireless carriers, VoIP providers, cable TV system operators who provide telecommunications

services and/or VoIP, telemetric operators, PBX users, and mobile voice service providers. NextGen does not currently provide long distance voice toll services or local exchange voice dial tone services to residential or business customers and does not plan to offer same in the future. However, in order to aggregate and transport emergency calls and/or calling data, NextGen may require the same sort of interconnection and co-location made available to certificated Competitive Local Exchange Carriers ("CLECs").

In addition, certification will enable NextGen to acquire and manage Pseudo Automatic Number Identification ("pANI") numbering resources, which are essential to routing emergency calls, pursuant to the Federal Communications Commission's ("FCC's") directive of September 8, 2006 which states that CLEC certification is now required for pANI management. Furtherance of this FCC objective and of the availability of competitive sources for emergency call routing and management are in the public interest.

5. NextGen possesses the technical and managerial expertise and experience necessary to provide the services it proposes. NextGen is the wholly owned subsidiary of TeleCommunication Systems, Inc. ("TCS") the leading unregulated wireless and VoIP 911 location and call data provider in the nation. With unlimited access to these resources, NextGen is technically qualified to provide the proposed local exchange and interexchange services in Missouri. NextGen's management team has extensive management and telecommunications experience. TCS provides a variety of telecommunications products and services domestically and internationally to approximately 42 wireless carriers including Short Message Service ("SMS") messaging, Wireless Internet Gateway, satellite communications, information technologies ("IT") management services, and location based services. This expertise in E9-1-1 has been developed over the last 9 years in the wireless industry, providing E9-1-1 service to wireless carriers. In that capacity, NextGen has developed a knowledge base and

hands-on experience in managing wireless automatic location identification ("ALI") databases, establishing ALI circuits, provisioning ALI databases and selective routers, and provisioning voice and data circuits to a wide variety of selective routers. As a Mobile Positioning Center vendor, we are familiar with PSAP messaging, ALI screen formatting, and all messaging related to Phase 1 and Phase 2 wireless E9-1-1 deployments. In addition, we provide Assisted Global Positioning System Positioning Determining Entity service for E9-11 Phase 2 and hosts the Wide Area Reference Network used by virtually all AGPS users in the United States.

NextGen's technological qualifications are also reflected in its officers and directors. NextGen's key managerial personnel and their qualifications are set forth in more detail in the attached **Exhibit B.** As Exhibit B illustrates, NextGen possesses the managerial and technical expertise necessary to provide the services it proposes to offer in Nevada. TCS, NextGen's parent corporation employs approximately 1,050 highly- qualified individuals that represent some of the most accomplished innovators and experienced technical experts in the telecommunications industry. Gathered from the telecommunications, public safety, and software development industries, NextGen's team of professionals is at the forefront of industry innovation, development, and standard-setting. These individuals are uniquely qualified to and design, implement, and manage E9-1-1 solutions.

6. NextGen also possesses the necessary financial resources to provide service in the State of Missouri. As noted above, NextGen is a wholly owned subsidiary of TCS, whose stock is publically traded (NASDAQ: TSYS). NextGen uses consolidated accounting with its parent TCS and does not maintain a separate public income statement or balance sheet. NextGen's finances are identical to its parent company's. **Exhibit C,** TCS's latest 10-Q SEC filing demonstrates that NextGen possesses sufficient financial resources to provide the services it proposes in this application competently and effectively.

7. NextGen seeks classification of itself and its services as competitive.

8. NextGen does not provide long distance toll services or local exchange dial tone services to residential or business customers, and does not intend to provide such services. Rather, NextGen provides carrier-to-carrier E911 call routing, location, and information services to large wireline, VoIP, and wireless voice service providers. NextGen's intended customers include municipal, county, or state governments operating E911 or Next Generation E911 networks; private telecommunications providers of LEC, CLEC, wireless, or VoIP services with an obligation to route emergency 911 calls to the appropriate PSAP; or private enterprises with a PBX telephone system with appropriate state and/or federal authority or obligation to route emergency calls to the appropriate PSAPs. NextGen will give consideration to equitable access for all Missourians, regardless of where they might reside or their income, to affordable telecommunications services in NextGen's proposed service areas in accordance with applicable law.

9. NextGen does not send bills to collect money from, or otherwise contact the end-users of its carrier customers. However, NextGen is willing to comply with all applicable Commission rules and is willing to meet all relevant service standards, including, but not limited to billing, quality of service, and tariff filing and maintenance in a manner consistent with the Commission's requirements for incumbent local exchange carrier(s) with whom NextGen seeks authority to compete. Additionally, NextGen agrees that, pursuant to Section 3 92.455(3) & (4) RSMo 2000, its service area shall be no smaller than an exchange. Consistent with the Commission's treatment of other certificated competitive local exchange telecommunications companies, NextGen requests the following statutes and regulations be waived for and its basic local exchange services offerings:

Statutes	
392.210.2	Uniform System of Accounts
392.240.1	Just & Reasonable Rates
392.270	Ascertain Property Values
392.280	Depreciation Accounts
392.290	Issuance of Securities

392.300.2	Acquisition of Stock
392.310	Issuance of stock and debt
392.320	Stock dividend payment
392.330	Issuance of securities, debts & notes
392.340	Reorganizations

<u>Commission Rules</u>

4 CSR 240-10.020	Depreciation fund income
4 CSR 240-30.040	Uniform system of accounts
4 CSR 240-3.550(5)(C)	File exchange boundary maps with Commission

10. Applicant will promptly file said tariffs bearing no less than 45 day effective date with the Commission in a manner consistent with the Commission's practice in similar cases. In any circumstance, Applicant will file its proposed basic local exchange telecommunications service tariff no later than 30 days after Commission approval of Applicant's interconnection and/or resale agreement.

11. NextGen submits that the public interest will be served by Commission approval of this application because NextGen's proposed services will create and enhance competition and expand customer service options consistent with the legislative goals set forth in the Federal Telecommunications Act of 1996 and Chapter 392 RSMo. Prompt approval of this application also will expand the availability of innovative, high quality, and reliable telecommunications services within the State of Missouri.

12. NextGen submits that no annual report or assessment fees are overdue.

13. NextGen submits that it does not have any pending action or final unsatisfied judgment or decisions against it from any state or federal agency or court which involves customer service or rates, which action, judgment, or decision has occurred within 3 years of the date of application.

14. NextGen submits, notwithstanding the provisions of Section 392.500 RSMo., as a condition of certification and competitive classification, and in recognition of the fact that NextGen does not intent to offer access services, Next Gen agrees that, unless otherwise ordered by the Commission,

NextGen's originating and terminating switched exchange access rates will be no greater than the lowest Commission-approved corresponding access rates in effect for each ILEC within those service area(s) NextGen seeks authority to provide service. Additionally, pursuant to the Commission's Report and Order in Case No. TO-99-596, NextGen agrees that if the ILEC in whose service area NextGen is operating decreases its originating and/or terminating access service rates, NextGen shall file an appropriate tariff amendment to reduce its originating and/or terminating access rates within thirty (30) days of the ILEC's reduction of its originating and/or terminating access rates in order to maintain the cap on switched exchange access rates.

WHEREFORE, Applicant NextGen respectfully requests that the Commission grant it a certificate of service authority to provide basic local telecommunications services as herein requested, classify NextGen and its proposed services as competitive, and grant a waiver of the aforesaid statutes and regulations.

Respectfully submitted,

STINSON MORRISON HECKER LLP

Charles W. Hatfield, No. 40363
230 W. McCarty Street
Jefferson City, Missouri 65101
573-636-6263
573-636-6231 (fax)
chatfield@stinson.com

and

H. Russell Frisby, Esq.
1150 18th Street, N.W., Suite 800
Washington, D.C.20036
Tel: 202-785-9100
Fax:202-785-9163
rfrisby@stinson.com

Exhibit A

STATE OF MISSOURI

SEAL OF THE SECRETARY OF STATE MISSOURI

Robin Carnahan
Secretary of State

CERTIFICATE OF AUTHORITY

WHEREAS,

NEXTGEN COMMUNICATIONS, INC.
F01079173

using in Missouri the name

NEXTGEN COMMUNICATIONS, INC.

has complied with the General and Business Corporation Law which governs Foreign Corporations; by filing in the office of the Secretary of State of Missouri authenticated evidence of its incorporation and good standing under the Laws of the State of Maryland.

NOW, THEREFORE, I, ROBIN CARNAHAN, Secretary of State of the State of Missouri, do hereby certify that said corporation is from this date duly authorized to transact business in this State, and is entitled to all rights and privileges granted to Foreign Corporations under the General and Business Corporation Law of Missouri.

IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this 17th day of August, 2010.

Robin Carnahan
Secretary of State

THE GREAT SEAL OF THE STATE OF MISSOURI
MDCCCXX

SOS #30 (01-2005)

File Number:
F01079173
Date Filed: 08/17/2010
Robin Carnahan
Secretary of State

State of Missouri

Robin Carnahan, Secretary of State

Corporations Division
PO Box 778 / 600 W. Main St., Rm. 322
Jefferson City, MO 65102

Application for Certificate of Authority
For a Foreign For-Profit Corporation

(Submit with filing fee of $155.00)

1. The corporation's name is NextGen Communications, Inc.

   and it is organized and existing under the laws of Maryland

2. The name it will use in Missouri is NextGen Communincations, Inc.

3. The date of its incorporation was 10/27/2008 (month/day/year), and the period of its duration is perpetual

4. The address of its principal place of business is 275 West Street (Address) Annapolis, Maryland 21401 (City/State/Zip)

5. The name and physical address of its registered agent and office in the State of Missouri is

   CSC-Lawyers Incorporating Service Company, 221 Bolivar Street, Jefferson City, MO 65101

   Name *Address* *City/State/Zip*

6. The specific purpose(s) of its business in Missouri are: IP based communincations services

7. The name of its officers and directors and their business addresses are as follows:

Officers	*Name*	*Address*	*City/State/Zip*
President	Maurice B. Tose	275 West Street	Annapolis, Maryland 21401
Vice President			
Secretary	Bruce A. White	275 West Street	Annapolis, Maryland 21401
Treasurer	Thomas M. Brandt, Jr.	275 West Street	Annapolis, Maryland 21401

Board of Directors

Director Maurice B. Tose

Director Thomas M. Brandt, Jr.

Director

Director

Director

(Please see next page)

Name and address to return filed document:

Nam..

Address.

City, State, and Zip Code:

State of Missouri
Creation - General Business - Foreign 3 Page(s)
T1023006003

8. The effective date of this document is the date it is filed by the Secretary of State of Missouri, unless you indicate a future date, as follows: ______________________________

(Date may not be more than 90 days after the filing date in this office)

In Affirmation thereof, the facts stated above are true and correct:
(The undersigned understands that false statements made in this filing are subject to the penalties provided under Section 575.040, RSMo)

Bruce A. White	Bruce A. White	Secretary	8/12/10
Must be an Officer or Chairman listed in #7	*Printed Name*	*Title*	*Date*

Note: You must submit current original certificate of good standing or certificate of existence with this application. This may be obtained from your Secretary of State or other authority that issues corporate charters.

STATE OF MARYLAND
Department of Assessments and Taxation

I, PAUL B. ANDERSON OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF THE STATE OF MARYLAND, DO HEREBY CERTIFY THAT THE DEPARTMENT, BY LAWS OF THE STATE, IS THE CUSTODIAN OF THE RECORDS OF THIS STATE RELATING TO THE FORFEITURE OR SUSPENSION OF CORPORATIONS, OR THE RIGHTS OF CORPORATIONS TO TRANSACT BUSINESS IN THIS STATE, AND THAT I AM THE PROPER OFFICER TO EXECUTE THIS CERTIFICATE.

I FURTHER CERTIFY THAT NEXTGEN COMMUNICATIONS, INC., INCORPORATED OCTOBER 27, 2008, IS A CORPORATION DULY INCORPORATED AND EXISTING UNDER AND BY VIRTUE OF THE LAWS OF MARYLAND AND THE CORPORATION HAS FILED ALL ANNUAL REPORTS REQUIRED, HAS NO OUTSTANDING LATE FILING PENALTIES ON THOSE REPORTS, AND HAS A RESIDENT AGENT. THEREFORE, THE CORPORATION IS AT THE TIME OF THIS CERTIFICATE IN GOOD STANDING WITH THIS DEPARTMENT AND DULY AUTHORIZED TO EXERCISE ALL THE POWERS RECITED IN ITS CHARTER OR CERTIFICATE OF INCORPORATION, AND TO TRANSACT BUSINESS IN MARYLAND.

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY SIGNATURE AND AFFIXED THE SEAL OF THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION OF MARYLAND AT BALTIMORE ON THIS AUGUST 17, 2010.

Paul B. Anderson

Paul B. Anderson
Charter Division

301 West Preston Street, Baltimore, Maryland 21201
Telephone Balto. Metro (410) 767-1340 / Outside Balto. Metro (888) 246-5941
MRS (Maryland Relay Service) (800) 735-2258 TT/Voice
Fax (410) 333-7097

crbink

R6557816

NextGen Communications, Inc.

ARTICLES OF INCORPORATION

THIS IS TO CERTIFY THAT:

FIRST: The undersigned, Bruce A. White, whose address is 275 West St, Annapolis, MD 21401, being at least 18 years of age, does hereby form a corporation under the general laws of the State of Maryland.

SECOND: The name of the corporation (the "Corporation") is:

NextGen Communications, Inc.

THIRD: The Corporation is formed for the purpose of carrying on any lawful business.

FOURTH: The address of the principal office of the Corporation in this State is 275 West St, Annapolis, MD 21401.

FIFTH: The name and address of the resident agent of the Corporation in Maryland is Bruce A. White, c/o TeleCommunication Systems, Inc., 275 West St, Annapolis, MD 21401. Said resident agent is a citizen of Maryland and actually resides therein.

SIXTH: The total number of shares of stock which the Corporation has authority to issue is 1,000 shares of Common Stock, $0.001 par value per share. The aggregate par value of all authorized shares having a par value is $1.00. A majority of the entire Board of Directors, without action by the stockholders, may amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class that the Corporation has authority to issue.

SEVENTH: The Corporation shall have a board of two directors unless the number is increased or decreased in accordance with the Bylaws of the Corporation. However, the number of directors shall never be less than the minimum number required by the Maryland General Corporation Law. The initial directors are:

Maurice B. Tosé
Thomas M. Brandt, Jr.

EIGHTH: (a) The Corporation reserves the right to make any amendment of the charter, now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set forth in the charter, of any shares of outstanding stock.

(b) The Board of Directors of the Corporation may authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, or securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, subject to such restrictions or limitations, if any, as may be set forth in the Bylaws of the Corporation.

(c) Notwithstanding any provision of law requiring the authorization of any action by a greater proportion than a majority of the total number of shares of all classes of capital stock or of the total number of shares of any class of capital stock, such action shall be valid and effective if authorized by the affirmative vote of the holders of a majority of the total number of shares of all classes outstanding and entitled to vote thereon, except as otherwise provided in the charter.

NINTH: To the maximum extent of Maryland statutory or decisional law as in effect from time to time, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the charter or Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

TENTH: The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation and acknowledge the same to be my act on this 27th day of October, 2008.

Bruce A. White

Bruce A. White
Sole Incorporator

EAST\42199908.1

Consent of Resident Agent

THE UNDERSIGNED, hereby consents to act as resident agent in Maryland for the entity named in the attached instrument.

Bruce A. White — Bruce A. White

10/27/2008 — Date

Exhibit B

Maurice B. Tosé

Chairman of the Board, Chief Executive Officer, and President of TCS and President and CEO of NextGen Communications, Inc.

Maurice B. Tosé founded TeleCommunication Systems (TCS) in 1987, initially as a military contractor for software development and network projects. Since then, TCS has evolved into a leader in wireless messaging and location technology. Today, TCS is delivering the essential software, services, and solutions to wireless telecommunication carriers that enable people to better manage their mobile lifestyle.

Since its inception, the company has experienced significant growth, from generating $28 million in revenues during its first 10 years to $58.1 million in revenues in 2000. The company has grown to more than 500 employees based principally in Annapolis, Seattle and Tampa. In August of 2000, TCS launched itself as a public company with a successful Initial Public Offering (IPO) raising $92 million.

Born in 1957 in Fort Bragg, N.C., Mr. Tosé grew up in Williamsburg, VA., and attended public schools. He graduated from the United States Naval Academy in 1978 with a Bachelor of Science degree in Operations Analysis. Following his graduation, he served on active duty in the United States Navy for eight years in posts throughout the United States, rising to the rank of Lieutenant. Tours of duty at sea included USS Bagley as Damage Control Assistant and as the Operations Officer on USS Mauna Kea, where he was responsible for the operations and maintenance of all voice and data communications. After his service at sea, Mr. Tosé returned immediately to the Naval Academy as an instructor. For more than 10 years, Mr. Tosé has been an active member of the Naval Reserves, attaining the rank of Commander, including an extensive assignment to the staff of the United States Secretary of Defense.

Prior to founding TCS, Mr. Tosé was the Director of Department of Defense Programs for Techmatics, Inc., headquartered in Silver Spring, Maryland. At Techmatics, Mr. Tosé was responsible for the marketing and management of systems integration contracts for the DoD. These contracts involved the installation, maintenance, personnel training and integrated logistics support for turnkey communications systems.

With over 21 years of experience providing technical solutions through operations research techniques in engineering, telecommunications, complex automated data processing and wireless systems, Mr. Tosé and his company have been recognized through the receipt of numerous awards including 2000 and 1997 Ernst & Young Entrepreneur of the Year finalist, The Lamond Godwin Bridge Builders Award for Excellence in Minority Business Relations, The national Association of Black Telecommunication Professional's Granville T. Woods Award for Outstanding Achievement, The AT&T Spectrum Award for Innovators, three-time winner of the Greater Washington Technology Fast 50 Award, two-time winner of the Maryland Fast 50 Award, the national Technology Fast 500 Award, five times included in the Black Enterprise Top 100, and the Government Computer News Industry Information Technology Award. Additionally, Mr. Tosé is a member of numerous professional organizations including the Wireless Data Forum, AT&T's Diversity Roundtable, the International Engineering Consortium and the Intelligent Network Forum.

Despite the hectic schedule of a CEO, Mr. Tosé has made community service a priority. Current and past affiliations include: treasurer and vice president, U.S. Naval Academy Class of 1978; member, Annapolis Jaycees and Annapolis Kiwanis; treasurer, vice president, director Arundel on the Bay Homeowners Association; member, Budget & Finance Council, Antioch Apostolic Church; co-founder, chairman of the board, United States Naval Academy Samuel P. Massie Education Endowment (through which TCS has provided over $75,000 in scholarships to at-risk youth in Anne Arundel County, MD); member, Annapolis neck Small Area Planning Commission; member, board of directors, First Night Annapolis; member, board of directors, Ginger Cover Retirement Community.

Richard A. Young
Executive Vice President and Chief Operating Officer of TCS

Mr. Young directs all day-to-day activities in the company including goal setting, performance monitoring, and deployment of key personnel. Mr. Young joined TCS in 1992. He has over twenty-seven years of experience in technology management, with in-depth technical experience in hardware and software life cycle program management. Prior to TCS, Mr. Young worked as Senior Manager for ICF Information Technology, Inc. where he was responsible for managing over thirty technical staff in designing and developing applications to customer specifications. From 1986 to 1989, Mr. Young was the Director of the Information Systems Department of the Navy Recruiting Command where he managed over seventy technical employees and was responsible for the information management requirements of the nationwide recruiting force. Mr. Young holds a B.S. degree in Engineering from the U.S. Naval Academy and holds a Master of Science degree in Information Technology from the Naval Postgraduate School.

Thomas M. Brandt, Jr.
Senior Vice President and Chief Financial Officer of TCS and NextGen Communications, Inc.

As Chief Financial Officer, Mr. Brandt is responsible for the Company's financial management, reporting, controls, accounting, and administration. Mr. Brandt joined TCS in early 1997. He has twenty-seven years experience in finance and accounting. Mr. Brandt was previously Senior Vice President and CFO of DIGEX, Inc., an Internet service provider, where he helped lead its 1996 IPO. His experience includes twelve years with Price Waterhouse, and services as CFO or controller of other corporations including Easco Corporation, a Fortune 500 company listed on the New York Stock Exchange. He serves on the Boards of Antenna Research Associates, Inc., a private technology company. He is a CPA with an AB from Duke University and an MBA from the Wharton School of the University of Pennsylvania.

Richard H. Dickinson
Senior Director, Public Safety of TCS

Richard (Dick) Dickinson has over eighteen years experience in wireless telecommunications, project management, and communications center management. He has built wireless networks nationally and internationally, managing site acquisition and zoning, construction, and warehouse logistics. Dick has managed the communications center for the University of Washington, a 24X7 emergency response center. He has participated in all aspects of wireless Phase I and Phase II E9-1-1 deployments, usually in a lead role for most FOAs and trail blazing deployments for various technologies. With the emergence of VoIP, Dick applied his knowledge of E9-1-1 to develop and patent the E9-1-1 solution for nomadic VoIP which has become the basis for the NENA i2 standard. He is active in various industry forums and standards bodies, including NENA, APCO, NRIC7, ESIF, and is Chair of the E9-1-1 Institute VoIP Subcommittee for Policy. Dick received his Masters Degree in International Studies from Pacific Lutheran University and his Bachelors Degree from the United States Military Academy.

Exhibit C

TELECOMMUNICATION SYSTEMS INC /FA/ (TSYS)

275 WEST ST
ANNAPOLIS, MD, 21401
410-263-7616
www.telecomsys.com

10-Q

Quarterly report pursuant to sections 13 or 15(d)
Filed on 8/5/2010
Filed Period 6/30/2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarter ended June 30, 2010

OR

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

Commission File No. 0-30821

TELECOMMUNICATION SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

MARYLAND (State or Other Jurisdiction of Incorporation or Organization)	**52-1526369** (I.R.S. Employer Identification No.)
275 West Street, Annapolis, MD (Address of principal executive offices)	**21401** (Zip Code)

(410) 263-7616

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 ☑ No ☐

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of Each Class	Shares outstanding as of July 31, 2010
Class A Common Stock, par value $0.01 per share	46,956,905
Class B Common Stock, par value $0.01 per share	6,116,334
Total Common Stock Outstanding	53,073,239

INDEX

TELECOMMUNICATION SYSTEMS, INC.

TeleCommunication Systems, Inc.

Consolidated Statements of Income
(amounts in thousands, except per share data)
(unaudited)

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenue				
Services	$ 63,429	$ 34,594	$ 123,273	$ 65,218
Systems	29,233	32,542	60,306	72,419
Total revenue	92,662	67,136	183,579	137,637
Direct costs of revenue				
Direct cost of services revenue	35,886	18,820	70,218	37,189
Direct cost of systems revenue, including amortization of software development costs of $2,301, $762, $4,607 and $1,322, respectively	23,588	18,266	46,624	45,154
Total direct cost of revenue	59,474	37,086	116,842	82,343
Services gross profit	27,543	15,774	53,055	28,029
Systems gross profit	5,645	14,276	13,682	27,265
Total gross profit	33,188	30,050	66,737	55,294
Operating costs and expenses				
Research and development expense	6,571	4,915	15,089	9,789
Sales and marketing expense	5,967	4,172	11,946	8,163
General and administrative expense	9,802	8,398	18,264	15,290
Depreciation and amortization of property and equipment	2,257	1,434	4,233	2,888
Amortization of acquired intangible assets	1,171	122	2,343	159
Total operating costs and expenses	25,768	19,041	51,875	36,289
Income from operations	7,420	11,009	14,862	19,005
Interest expense	(2,237)	(225)	(4,589)	(413)
Amortization of debt discount and debt issuance expenses	(216)	(53)	(376)	(58)
Other income, net	495	105	985	284
Income before income taxes	5,462	10,836	10,882	18,818
Provision for income taxes	(2,367)	(4,230)	(2,777)	(7,345)
Net income	$ 3,095	$ 6,606	$ 8,105	$ 11,473
Net income per share-basic	$ 0.06	$ 0.14	$ 0.15	$ 0.25
Net income per share-diluted	$ 0.06	$ 0.13	$ 0.14	$ 0.22
Weighted average shares outstanding-basic	52,920	46,765	52,788	46,170
Weighted average shares outstanding- diluted	56,124	51,968	66,897	51,557

See accompanying Notes to Consolidated Financial Statements.

TeleCommunication Systems, Inc.

Consolidated Balance Sheets
(amounts in thousands, except share data)

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 97,035	$ 61,426
Accounts receivable, net of allowance of $427 in 2010 and $389 in 2009	51,156	65,476
Unbilled receivables	25,923	23,783
Inventory	3,724	9,331
Deferred income taxes	10,228	9,507
Receivable from settlement of patent matter	—	15,700
Income tax refund receivable	—	5,438
Other current assets	7,005	8,945
Total current assets	195,071	199,606
Property and equipment, net of accumulated depreciation and amortization of $51,179 in 2010 and $46,960 in 2009	33,283	20,734
Software development costs, net of accumulated amortization of $14,548 in 2010 and $9,941 in 2009	40,613	45,384
Acquired intangible assets, net of accumulated amortization of $3,868 in 2010 and $1,526 in 2009	30,585	33,975
Goodwill	166,948	164,350
Other assets	7,711	8,176
Total assets	$ 474,211	$ 472,225
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 39,768	$ 52,999
Accrued payroll and related liabilities	12,433	19,265
Deferred revenue	18,860	9,938
Current portion of capital lease obligations and notes payable	45,945	39,731
Total current liabilities	117,006	121,933
Capital lease obligations and notes payable, less current portion	137,591	143,316
Deferred income taxes	13,635	15,435
Other long-term liability	4,297	5,755
Stockholders' equity:		
Class A Common Stock; $0.01 par value:		
Authorized shares — 225,000,000; issued and outstanding shares of 46,924,565 in 2010 and 46,157,025 in 2009	470	462
Class B Common Stock; $0.01 par value:		
Authorized shares — 75,000,000; issued and outstanding shares of 6,116,334 in 2010 and 6,276,334 in 2009	61	63
Additional paid-in capital	291,517	283,733
Accumulated other comprehensive income	13	12
Accumulated deficit	(90,379)	(98,484)
Total stockholders' equity	201,682	185,786
Total liabilities and stockholders' equity	$ 474,211	$ 472,225

See accompanying Notes to Consolidated Financial Statements.

TeleCommunication Systems, Inc.

Consolidated Statement of Stockholders' Equity
(amounts in thousands, except share data)
(unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance at January 1, 2010	$ 462	$ 63	$ 283,733	$ 12	$ (98,484)	$ 185,786
Options exercised for the purchase of 512,799 shares of Class A Common Stock	5	—	1,784	—	—	1,789
Issuance of 95,823 shares of Class A Common Stock under Employee Stock Purchase Plan	1	—	612	—	—	613
Conversion of 160,000 shares of Class B Common Stock to Class A Common Stock	2	(2)	—	—	—	—
Issuance of shares of 15,107 Restricted Class A Common Stock	—	—	17	—	—	17
Stock-based compensation expense	—	—	5,371	—	—	5,371
Foreign currency translation adjustment				1		1
Net income for the six-months ended June 30, 2010	—	—	—	—	8,105	8,105
Balance at June 30, 2010	$ 470	$ 61	$ 291,517	$ 13	$ (90,379)	$ 201,862

See accompanying Notes to Consolidated Financial Statements.

TeleCommunication Systems, Inc.

Consolidated Statements of Cash Flows
(amounts in thousands)
(unaudited)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Operating activities:		
Net income	$ 8,105	$ 11,473
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization of property and equipment	4,233	2,888
Amortization of acquired intangible assets	2,343	159
Deferred tax provision	2,777	6,695
Stock compensation expense	5,371	2,183
Amortization of software development costs	4,607	1,322
Amortization of deferred financing fees	376	58
Impairment of marketable securities/ investment	225	15
Other non-cash adjustments	884	(8)
Changes in operating assets and liabilities:		
Accounts receivable, net	14,280	13,836
Unbilled receivables	(2,084)	2,617
Inventory	5,607	(9,768)
Other current assets	20,947	(732)
Other assets	465	(1,217)
Accounts payable and accrued expenses	(13,377)	(9,253)
Accrued payroll and related liabilities	(6,862)	(5,950)
Other liabilities	(5,146)	—
Deferred revenue	8,922	7,179
Subtotal — Changes in operating assets and liabilities	22,752	(3,288)
Net cash provided by operating activities	51,673	21,498
Investing activities:		
Acquisitions, net of cash acquired	—	(15,000)
Purchases of property and equipment, net of cash acquired	(11,075)	(611)
Capitalized software development costs	(2,172)	(634)
Total net cash used in investing activities	(13,247)	(16,245)
Financing activities:		
Proceeds from issuance of long-term debt	—	20,000
Payments on long-term debt and capital lease obligations	(5,218)	(8,466)
Proceeds from exercise of employee stock options and sale of stock	2,402	3,250
Total net cash (used in)/provided by financing activities	(2,816)	14,784
Net increase in cash	35,610	20,037
Cash and cash equivalents at the beginning of the period	61,425	38,977
Cash and cash equivalents at the end of the period	$ 97,035	$ 59,014

See accompanying Notes to Consolidated Financial Statements.

1. ***Basis of Presentation and Summary of Significant Accounting Policies***

Basis of Presentation. The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three- and six-months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. These consolidated financial statements should be read in conjunction with our audited financial statements and related notes included in our 2009 Annual Report on Form 10-K. The terms "TCS", "we", "us" and "our" as used in this Form 10-Q refer to TeleCommunication Systems, Inc. and its subsidiaries as a combined entity, except where it is made clear that such terms mean only TeleCommunication Systems, Inc.

Use of Estimates. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

Other Comprehensive Income/(Loss). Comprehensive income/(loss) includes changes in the equity of a business during a period from transactions and other events and circumstances from non-owner sources. Other comprehensive income/loss refers to revenue, expenses, gains and losses that under U.S. generally accepted accounting principles are included in comprehensive income, but excluded from net income. For operations outside the U.S. that prepare financial statements in currencies other than the U.S. dollar, results of operations and cash flows are translated at average exchange rates during the period, and assets and liabilities are translated at end-of-period exchange rates. Translation adjustments for our European subsidiary are included as a component of accumulated other comprehensive income in stockholders' equity.

Deferred Compensation Plan. During 2009, the Company adopted a non-qualified deferred compensation arrangement to fund certain supplemental executive retirement and deferred income plans. Under the terms of the arrangement, the participants may elect to defer the receipt of a portion of their compensation and each participant directs the manner in which their investments are deemed invested. The funds are held by the Company in a rabbi trust which include fixed income funds, equity securities, and money market accounts, or other investments for which there is an active quoted market. The funds are included in Other assets and Other long-term liability on the Consolidated Balance Sheet. Company contributions were made to the plan in 2009, but not in 2010.

Stock-Based Compensation. We have two stock-based employee compensation plans: our Amended and Restated Stock Incentive Plan (the "Stock Incentive Plan") and our Second Amended and Restated Employee Stock Purchase Plan (the "ESPP"). In the past, we have issued restricted stock to directors and certain executives. We record compensation expense for all stock-based compensation plans using the fair value method prescribed by Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") 718-10. Our stock compensation expense has been allocated to direct cost of revenue, research and development expense, sales and marketing expense, and general and administrative expense as detailed in Note 3.

Earnings per share. Basic income per common share is based upon the average number of shares of common stock outstanding during the period. Stock options to purchase approximately 7.8 million shares for the three-months ended June 30, 2010 and 5.9 million shares for the six-months ended June 30, 2010, and approximately 1.8 million shares for both the three- and six-months ended June 30, 2009 were excluded from the computation of diluted net income per share because their inclusion would have been anti-dilutive. Shares issuable upon conversion of convertible debt issued in the fourth quarter of 2009 were included in weighted average diluted shares for the six-months ended June 30, 2010 but were excluded from weighted average diluted shares for the second quarter of 2010 because the effect of their inclusion would have been anti-dilutive. A reconciliation of basic to diluted weighted average common shares outstanding is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Numerator:				
Net income, basic	$ 3,095	$ 6,606	$ 8,105	$ 11,473
Adjustment for assumed dilution:				
Interest on convertible debt, net of taxes	—	—	1,457	—
Net income, diluted	$ 3,095	$ 6,606	$ 9,562	$ 11,473
Denominator:				
Total basic weighted-average common shares outstanding	52,920	46,765	52,788	46,170
Effect of dilutive stock options based on treasury stock method	3,204	4,714	4,107	4,894
Effect of dilutive warrants based on treasury stock method	—	489	—	493
Effect of dilutive 4.5% convertible debt, based on "if converted" method	—	—	10,002	—
Weighted average diluted shares	56,124	51,968	66,897	51,557
Basic earnings per common share:				
Net income per share — basic	$ 0.06	$ 0.14	$ 0.15	$ 0.25
Diluted earnings per common share:				
Net income per share-diluted	$ 0.06	$ 0.13	$ 0.14	$ 0.22

Income Taxes. Income tax amounts and balances are accounted for using the asset and liability method of accounting for income taxes as prescribed by ASC 740. Under this method, deferred income tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Effective January 1, 2007, the Company began recognizing the benefits of tax positions in the financial statements which are more likely than not to be sustained upon examination by the taxing authority and satisfy the appropriate measurement criteria. If the recognition threshold is met, the tax benefit is generally measured and recognized as the tax benefit having the highest likelihood, based on our judgment, of being realized upon ultimate settlement with the taxing authority, assuming full knowledge of the position and all relevant facts. At June 30, 2010, we had unrecognized tax benefits totaling approximately $1.7 million. The determination of these unrecognized amounts requires significant judgments and interpretation of complex tax laws. Different judgments or interpretations could result in material changes to the amount of unrecognized tax benefits.

Recent Accounting Pronouncements.

In October 2009, the FASB issued Accounting ASU 2009-14 to ASC topic 985, "Certain Revenue Arrangements That Include Software Elements," that removes tangible products from the scope of software revenue guidance and provides guidance on determining whether software deliverables in an arrangement that includes a tangible product are covered by the scope of the software revenue guidance. ASU 2009-14 will be applied prospectively for new or materially modified arrangements in fiscal years beginning after June 15, 2010 and early adoption is permitted. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13 to ASC topic 605 "Revenue Recognition — Multiple Deliverable Revenue Arrangements." This update addresses how to determine whether an arrangement involving multiple deliverables contains one or more than one unit of accounting, and how the arrangement consideration should be allocated among the separate units of accounting. This update also established a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific evidence is not available, or estimated selling price if neither vendor — specified or third-party evidence is available. ASU 2009-13 may be applied retrospectively or prospectively for new or materially modified arrangements in fiscal years beginning on or after June 15, 2010, with early adoption permitted. The Company is currently evaluating the impact the adoption will have on its consolidated financial statements.

2. *Acquisitions*

During 2009 the Company acquired four businesses. These acquisitions were accounted for using the acquisition method; accordingly, their total estimated purchase prices are allocated to the net tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values as of the effective dates of the acquisitions. The allocations of purchase price were based upon management's preliminary valuation of the fair value of tangible and intangible assets acquired and liabilities assumed, and such estimates and assumptions are subject to change as the company finalizes the allocation for each of the acquisitions.

On May 19, 2009, the Company acquired substantially all the assets of LocationLogic, LLC ("LocationLogic"), formerly Autodesk, Inc's location services business. The LocationLogic business is reported as part of our commercial services. The purchase price of the LocationLogic's assets was $25 million, comprised of $15 million cash and $10 million, or approximately 1.4 million shares, in the Company's Class A Common Stock.

The following table summarizes the final purchase price allocation of the fair values of the assets acquired and liabilities assumed at the date of the acquisition:

Assets:		
Accounts receivable, net	$	145
Unbilled accounts receivable		1,081
Other current assets		205
Property and equipment		865
Acquired technology and software development costs		3,703
Acquired intangible assets		8,720
Goodwill		12,206
Total assets	$	26,925
Liabilities:		
Accounts payable and accrued expenses	$	1,273
Accrued payroll and related liabilities		325
Total liabilities	$	1,598
Fair value of net assets acquired	$	25,327

On November 3, 2009, the Company purchased all of the outstanding stock of Solvern Innovations, Inc. ("Solvern"), a communications technology company focused on cyber-security. The Solvern business is reported as part of our government services. Solvern's purchase consideration included cash, approximately 1 million shares of the Company's Class A common stock, and contingent consideration based on the business's gross profit in 2010 and 2011.

On November 16, 2009, the Company completed the acquisition of substantially all of the assets of Sidereal Solutions, Inc. ("Sidereal"), a satellite communications technology engineering, operations and maintenance support service company. The Sidereal business is reported as part of our government services. Consideration for the purchase of the Sidereal assets included cash and approximately 244,200 shares of the Company's Class A common stock, and contingent consideration based on the business's gross profit in 2010 and 2011.

The total estimated purchase price for the three acquisitions described above was $70 million. Approximately $49 million was preliminarily allocated to goodwill, approximately $0.1 million for other current and long-term assets net of liabilities, and $21 million to acquired definite-lived intangible assets, consisting of the value assigned to customer relationships of $3.7 million for LocationLogic, $7.3 million for Solvern and $2 million for Sidereal and developed technology of $8.7 million classified as capitalized software development costs for LocationLogic.

We also completed the acquisition of Networks in Motion, Inc. ("NIM") on December 15, 2009. Pursuant to the merger agreement, TCS issued former NIM shareholders approximately $110 million in cash, $40 million in promissory notes, and approximately 2.2 million shares of the Company's common stock valued at $20 million. The promissory notes bear simple interest at 6% and are due in three installments: $30 million on the 12 month anniversary of the closing, $5 million on the 18 month anniversary of the closing, and $5 million on the 24 month anniversary of the closing, subject to escrow adjustments. Note that for $20 million of the obligation due in December 2010, the Company has the option to settle using common stock, but the Company currently plans to satisfy this debt for cash.

Of the total estimated NIM purchase price of $170 million, approximately $113.9 million was preliminarily allocated to goodwill and $54.5 million to acquired definite-lived intangible assets, consisting of the value assigned to NIM's customer relationships of $20.1 million, and developed technology of $34.4 million classified as capitalized software development costs and approximately $1.6 million for other current and long-term assets net of liabilities.

During the six-months ending June 30, 2010, we made final adjustments to the preliminary purchase price allocations for LocationLogic, detailed above. We also made adjustments to the preliminary purchase price allocations for the other three acquisitions for a total adjustment to goodwill of $2.0 million, as a result of information not initially available. Prior to the end of the measurement period for finalizing the purchase price allocation, if information becomes available which would indicate adjustments are required to the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively. The measurement period is not to exceed 12 months from the acquisition dates.

The unaudited pro forma financial information for the three and six-months ended June 30, 2009 in the table below summarizes the consolidated results of operations for TCS and NIM (which was assessed as a significant and material acquisition for purposes of unaudited pro forma financial information disclosure), as though NIM was acquired at the beginning of 2009.

The following pro forma information is presented to include the effects of the acquisition of NIM using the acquisition method of accounting and the related TCS Class A common stock and promissory notes issued as part of consideration. The unaudited pro forma financial information is presented to also include the effects of $103.5 million Convertible Notes offering.

The pro forma financial information is not intended to represent or be indicative of the consolidated results of operations or financial condition of TCS that would have been reported had the acquisition been completed as of the dates presented, and should not be construed as representative of the future consolidated results of operations or financial condition of a consolidated entity.

The following unaudited pro forma financial information is presented below for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions and any borrowings undertaken to finance the acquisition had taken place at the beginning of 2009.

Pro Forma Information	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Revenue	$ 86,622	$ 173,366
Net income	$ 8,592	$ 13,612
Basic earnings per share	$ 0.18	$ 0.28
Diluted earnings per share	$ 0.15	$ 0.25

3. *Stock-Based Compensation*

We recognize compensation expense net of estimated forfeitures over the requisite service period for grants under our option plan, which is generally the vesting period of 5 years. The Company estimates the fair value of each stock option award on the date of grant using the Black-Scholes option-pricing model. Expected volatilities are based on historical volatility of the Company's stock. The Company estimates forfeitures based on historical experience and the expected term of the options granted are derived from historical data on employee exercises. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The Company has not paid and does not anticipate paying dividends in the near future.

We also recognize non-cash stock compensation expense for restricted stock issued to directors and certain key executives. The restrictions expire at the end of one year for directors and expire in annual increments over three years for executives and are based on continued employment. We had 42 shares and 30 shares of restricted stock outstanding, respectively, as of June 30, 2010 and June 30, 2009. We expect to record future stock compensation expense of $184 as a result of the restricted stock grants outstanding as of June 30, 2010 that will be recognized over the remaining vesting period in 2010 and 2011.

The material components of our stock compensation expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Stock-based compensation:				
Stock options granted at fair value	$ 2,110	$ 1,149	$ 5,141	$ 2,074
Restricted stock	69	40	122	65
Employee stock purchase plan	70	28	108	44
Total stock compensation expense	$ 2,249	$ 1,217	$ 5,371	$ 2,183

Stock-based compensation is included in our operations in the accompanying Consolidated Statements of Income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Stock-based compensation:				
Direct cost of revenue	$ 1,415	$ 784	$ 3,377	$ 1,406
Research and development expense	587	284	1,402	509
Sales and marketing expense	136	98	326	176
General and administrative expense	111	51	266	92
Total stock compensation included in operating expenses	$ 2,249	$ 1,217	$ 5,371	$ 2,183

A summary of our stock option activity and related information for the six-months ended June 30, 2010 is as follows:

(Share amounts in thousands)	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	14,612	$ 5.32
Granted	1,818	$ 8.31
Exercised	(512)	$ 3.53
Expired	(131)	$ 6.51
Forfeited	(658)	$ 8.21
Outstanding, at June 30, 2010	15,129	$ 5.60
Exercisable, at June 30, 2010	8,286	$ 4.02
Vested and expected to vest at June 30, 2010	14,037	$ 5.41
Weighted-average remaining contractual life of options outstanding at June 30, 2010	6.5 years	

	Six Months June 30, 2010	Six Months June 30, 2009
Estimated weighted-average grant-date fair value of options granted during the period	$ 4.58	$ 4.65
Total fair value of options vested during the period	$ 5,297	$ 3,999
Intrinsic value of options exercised during the period	$ 2,258	$ 4,786

Exercise prices for options outstanding at June 30, 2010 ranged from $1.07 to $9.86 as follows (all share amounts in thousands):

Exercise Prices	Options Outstanding	Weighted-Average Exercise Prices of Options Outstanding	Weighted-Average Remaining Contractual Life of Options Outstanding (years)	Options Vested and Exercisable	Weighted-Average Exercise Prices of Options Vested and Exercisable	Weighted-Average Remaining Contractual Life of Options Vested and Exercisable (years)
$1.07 - $1.84	81	$ 1.70	2.56	81	$ 1.70	2.56
$1.92 - $2.99	2,415	$ 2.47	5.29	2,244	$ 2.47	5.25
$3.05 - $4.68	4,972	$ 3.33	5.54	3,858	$ 3.35	5.01
$4.83 - $7.45	2,229	$ 6.74	4.77	1,692	$ 6.73	3.52
$7.95 - $9.86	5,432	$ 8.66	9.27	411	$ 8.17	8.35
	15,129			8,286		

As of June 30, 2010, the aggregate intrinsic value of options outstanding was $8,266 and the aggregate intrinsic value of options vested and exercisable was $7,016. As of June 30, 2010, we estimate that we will recognize $20,700 in expense for outstanding, unvested options over their weighted average remaining vesting period of 3.7 years, of which we estimate $4,800 will be recognized during the remainder of 2010.

In using the Black-Scholes model to calculate the fair value of our stock options, our assumptions were as follows:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Expected life (in years)	5.5	5.5
Risk-free interest rate(%)	2.4%-2.8%	1.65%-1.9%
Volatility(%)	59%-60%	63%-64%
Dividend yield(%)	0%	0%

4. *Supplemental Disclosure of Cash Flow Information*

Property and equipment acquired under capital leases totaled $3,068 and $5,706 during the three- and six-months ended June 30, 2010, respectively. We acquired $2,530 and $4,579 of property under capital leases during the three- and six-months ended June 30, 2009, respectively.

Interest paid totaled $954 and $2,606 during the three- and six-months ended June 30, 2010, respectively. We paid $225 and $413 in interest for the three- and six-months ended June 30, 2009, respectively.

Income taxes and estimated state income taxes paid totaled $942 and $2,172 during the three- and six-months ended June 30, 2010 and were $500 and $879 for the three- and six-months ended June 30, 2009, respectively.

5. *Fair Value Measurements*

ASC 820-10 discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The statement utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Observable inputs that reflect the reporting entity's own assumptions.

Our population of assets and liabilities subject to fair value measurements on a recurring basis and the necessary disclosures are as follow:

	Fair Value as of 6/30/2010	Fair Value Measurements at 6/30/2010 Using Fair Value Hierarchy		
	Total	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 97,035	$ 97,035	$ —	$ —
Deferred compensation plan investments	1,005	1,005	—	—
Assets at Fair Value	$ 98,040	$ 98,040	$ —	$ —
Liabilities				
Deferred compensation	$ 858	$ 858	$ —	$ —
Contractual acquisition earnouts	6,441	—	—	6,441
Liabilities at Fair Value	$ 7,299	$ 858	$ —	$ 6,441

The Company holds trading securities as part of a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans. The funds held are all managed by a third party, and include fixed income funds, equity securities, and money market accounts, or other investments for which there is an active quoted market. The related Deferred compensation liabilities are valued based on the underlying investment selections held in each participant's account. The Contractual acquisition earnouts were part of the consideration paid for certain 2009 acquisitions and were initially valued at the acquisition date at $7,753. The fair value of the earnouts is based on probability-weighted payouts under different scenarios, discounted using a discount rate commiserate with the risk.

The following table provides a summary of the changes in the Company's Contractual acquisition earnouts measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the six-months ended June 30, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (level 3)
Balance at March 31, 2010	$ 7,280
Fair value adjustment recognized in earnings	(839)
Balance at June 30, 2010	$ 6,441

The Company's long-term debt consists of borrowings under a commercial bank term loan agreement, 4.5% convertible senior notes, and promissory notes payable to sellers of Networks in Motion, Inc. (see Note 11). The long-term debt is currently reported at the borrowed amount outstanding and the fair value of the Company's long-term debt approximates its carrying amount.

The Company's assets and liabilities that are measured at fair value on a non-recurring basis include long-lived assets, intangible assets, and goodwill. These items are recognized at fair value when they are considered to be other than temporarily impaired. In the first six-months ending June 30, 2010, there were no required fair value measurements for assets and liabilities measured at fair value on a non-recurring basis.

6. *Segment Information*

Our two operating segments are the Commercial and Government Segments.

Our Commercial Segment products and services enable wireless carriers to deliver short text messages, location-based information, internet content, and other enhanced communication services to and from wireless phones. Our Commercial Segment also provides E9-1-1 call routing, mobile location-based applications, and inter-carrier text message technology. Customers use our software functionality through connections to and from our network operations centers, paying us monthly fees based on the number of subscribers, cell sites, call center circuits, or message volume. We also provide hosted services under contracts with wireless carrier networks, as well as VoIP service providers.

Our Government Segment provides communication systems integration, information technology services, and software solutions to the U.S. Department of Defense and other government customers. We also own and operate secure satellite teleport facilities, and resell access to satellite airtime (known as space segment.) We design, furnish, install and operate wireless and data network communication systems, including our SwiftLink® deployable communication systems which integrate high speed, satellite, and internet protocol technology, with secure Government-approved cryptologic devices.

Management evaluates segment performance based on gross profit. We do not maintain information regarding segment assets. Accordingly, asset information by reportable segment is not presented.

The following table sets forth results for our reportable segments for the three- and six-months ended June 30, 2010 and 2009, respectively. All revenues reported below are from external customers. A reconciliation of segment gross profit to net loss for the respective periods is also included below:

	Three Months Ended June 30,					
	2010			2009		
	Comm.	Gvmt	Total	Comm.	Gvmt	Total
Revenue						
Services	$ 41,323	$ 22,106	$ 63,429	$ 20,648	$ 13,946	$ 34,594
Systems	6,670	22,563	29,233	12,431	20,111	32,542
Total revenue	47,993	44,669	92,662	33,079	34,057	67,136
Direct costs of revenue						
Direct cost of services	20,470	15,416	35,886	8,376	10,444	18,820
Direct cost of systems	3,448	20,140	23,588	2,443	15,823	18,266
Total direct costs	23,918	35,556	59,474	10,819	26,267	37,086
Gross profit						
Services gross profit	20,853	6,690	27,543	12,272	3,502	15,774
Systems gross profit	3,222	2,423	5,645	9,988	4,288	14,276
Total gross profit	$ 24,075	$ 9,113	$ 33,188	$ 22,260	$ 7,790	$ 30,050

	Six Months Ended June 30,					
	2010			2009		
	Comm.	Gvmt	Total	Comm.	Gvmt	Total
Revenue						
Services	$ 80,601	$ 42,672	$ 123,273	$ 38,455	$ 26,763	$ 65,218
Systems	15,315	44,991	60,306	20,194	52,225	74,419
Total revenue	95,916	87,663	183,579	58,649	78,988	137,637
Direct costs of revenue						
Direct cost of services	39,734	30,484	70,218	16,567	20,622	37,189
Direct cost of systems	6,889	39,735	46,624	4,331	40,823	45,154
Total direct costs	46,623	70,219	116,842	20,898	61,445	82,343
Gross profit						
Services gross profit	40,867	12,188	53,055	21,888	6,141	28,029
Systems gross profit	8,426	5,256	13,682	15,863	11,402	27,265
Total gross profit	$ 49,293	$ 17,444	$ 66,737	$ 37,751	$ 17,543	$ 55,294

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total segment gross profit	$ 33,188	$ 30,050	$ 66,737	$ 55,294
Research and development expense	(6,571)	(4,915)	(15,089)	(9,789)
Sales and marketing expense	(5,967)	(4,172)	(11,946)	(8,163)
General and administrative expense	(9,802)	(8,398)	(18,264)	(15,290)
Depreciation and amortization of property and equipment	(2,257)	(1,434)	(4,233)	(2,888)
Amortization of acquired intangible assets	(1,171)	(122)	(2,343)	(159)
Interest expense	(2,237)	(225)	(4,589)	(413)
Amortization debt discount and debt issuance expenses	(216)	(53)	(376)	(58)
Other income, net	495	105	985	284
Income before income taxes	5,462	10,836	10,882	18,818
Provision for income taxes	(2,367)	(4,230)	(2,777)	(7,345)
Net income	$ 3,095	$ 6,606	$ 8,105	$ 11,473

7. *Inventory*

Inventory consisted of the following:

	June 30, 2010	Dec. 31, 2009
Component parts	$ 2,074	$ 5,658
Finished goods	1,650	3,673
Total inventory at period end	$ 3,724	$ 9,331

8. *Acquired Intangible Assets and Capitalized Software Development Costs*

Our acquired intangible assets and capitalized software development costs of our continuing operations consisted of the following:

	June 30, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquired intangible assets:						
Customer lists and other	$ 12,951	$ 2,040	$ 10,911	$ 13,735	$ 1,151	$ 12,584
Customer relationships	20,138	1,473	18,665	20,402	113	20,289
Trademarks and patents	1,364	355	1,009	1,364	262	1,102
Software development costs, including acquired technology	55,161	14,548	40,613	55,325	9,941	45,384
Total acquired intangible assets and software dev. costs	$ 89,614	$ 18,416	$ 71,198	$ 90,826	$ 11,467	$ 79,359
Estimated future amortization expense:						
Six Months ending December 31, 2010			$ 7,013			
Year ending December 31, 2011			$ 13,772			
Year ending December 31, 2012			$ 13,608			
Year ending December 31, 2013			$ 13,557			
Year ending December 31, 2014			$ 11,855			
Thereafter			$ 11,393			
			$ 71,198			

For the three-month and six-months ended June 30, 2010, we capitalized $1,352 and $2,172, respectively, of software development costs of continuing operations for certain software projects after the point of technological feasibility had been reached but before the products were available for general release. Accordingly, these costs have been capitalized and are being amortized over their estimated useful lives beginning when the products are available for general release. The capitalized costs relate to our location-based software. We believe that these capitalized costs will be recoverable from future gross profits generated by these products. For the three- and six-months ended June 30, 2009 we capitalized $492 and $636 of software development costs.

Preliminary gross carrying amounts have been adjusted during the six-months ended June 30, 2010 as a result of information not initially available. Prior to the end of the measurement period for the finalized purchase price allocation, which is 12 months from the acquisition dates, if information becomes available which would indicate adjustments are required to the purchase price these adjustments will be included in the purchase price allocation retrospectively.

We routinely update our estimates of the recoverability of the software products that have been capitalized. Management uses these estimates as the basis for evaluating the carrying values and remaining useful lives of the respective assets.

9. *Concentrations of Credit Risk and Major Customers*

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of accounts receivable and unbilled receivables. Accounts receivable are generally due within thirty days and no collateral is required. We maintain allowances for potential credit losses and historically such losses have been within our expectations.

The following tables summarize revenue and accounts receivable concentrations from our significant customers:

Customer	Segment	% of Total Revenue For the Three Months Ended June 30, 2010	2009	% of Total Revenue For the Six Months Ended June 30, 2010	2009
Federal Agencies	Government	36%	35%	36%	42%
Customer A	Commercial	28%	28%	29%	24%

Customer	Segment	As of June 30, 2010 Accounts Receivable	Unbilled Receivables
U.S. Government	Government	27%	49%
Customer A	Commercial	30%	34%

10. *Lines of Credit*

We have maintained a line of credit arrangement with our principal bank since 2003. On December 31, 2009, we amended our June 2009 Third Amended and Restated Loan Agreement with our principal bank. The amended agreement increased the line of credit to a $35,000 revolving line of credit (the "Line of Credit,") from the June 2009 amount of $30,000. Our 2009 line of credit replaces the Company's 2007 revolving line of credit availability of $22,000 with the bank. The Line of Credit maturity date is June 25, 2012.

The Line of Credit includes three sub-facilities: (i) a letter of credit sub-facility pursuant to which the bank may issue letters of credit, (ii) a foreign exchange sub-facility pursuant to which the Company may purchase foreign currency from the bank, and (iii) a cash management sub-facility pursuant to which the bank may provide cash management services (which may include, among others, merchant services, direct deposit of payroll, business credit cards and check cashing services) and in connection therewith make loans and extend credit to the Company. The principal amount outstanding under the Line of Credit accrues interest at a floating per annum rate equal to the rate which is the greater of (i) 4% per annum, or (ii) the bank's most recently announced "prime rate," even if it is not the bank's lowest prime rate. The principal amount outstanding under the Line of Credit is payable either prior to or on the maturity date and interest on the Line of Credit is payable monthly. Our potential borrowings under the Line of Credit are reduced by the amounts of cash management services sublimit which totaled $1,525 at June 30, 2010. As of June 30, 2010 and 2009, there were no borrowings on the line of credit and we had approximately $33,500 and $28,000, respectively, of unused borrowing availability under this line.

11. *Long-term Debt*

Long-term debt consisted of the following:

	June 30, 2010	Dec. 31, 2009
4.5% Convertible notes dated November 16, 2009	$ 103,500	$ 103,500
6.0% Promissory note payable to NIM sellers dated December 16, 2009	40,000	40,000
4.5% Note payable to commercial banks dated December 31, 2009	26,667	30,000
Total long-term debt	170,167	173,500
Less: current portion	(41,667)	(36,667)
Non-current portion of long-term debt	$ 128,500	$ 136,833

Aggregate maturities of long-term debt at June 30, 2010 are as follows:

2010	$ 33,333
2011	16,667
2012	6,667
2013	6,667
2014	106,833
Total long-term debt	$ 170,167

During 2009, the Company entered into multiple financing agreements to fund corporate initiatives.

On November 10, 2009, the Company sold $103.5 million aggregate principal amount of 4.5% Convertible Senior Notes (the "Notes") due 2014. The Notes are not registered and were offered under Rule 144A of the Securities Act of 1933, as amended. Concurrent with the issuance of the Notes, we entered into convertible note hedge transactions and warrant transactions, also detailed below, that are expected to reduce the potential dilution associated with the conversion of the Notes. Holders may convert the Notes at their option on any day prior to the close of business on the second "scheduled trading day" (as defined in the Indenture) immediately preceding November 1, 2014. The conversion rate will initially be 96.637 shares of Class A common stock per $1,000 principal amount of Notes, equivalent to an initial conversion price of approximately $10.35 per share of Class A common stock. The effect of the convertible note hedge and warrant transactions, described below, is an increase in the effective conversion premium of the Notes to 60% above the November 10th closing price, to $12.74 per share.

The convertible note hedge transactions cover, subject to adjustments, 10,001,303 shares of Class A common stock. Also, in connection with the sale of the Notes, the Company entered into separate warrant transactions with certain counterparties (collectively, the "Warrant Dealers"). The Company sold to the Warrant Dealers the warrants to purchase in the aggregate 10,001,303 shares of Class A common stock, subject to adjustments, at an exercise price of $12.74 per share of Class A common stock. The Company offered and sold the warrants to the Warrant Dealers in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended.

The convertible note hedge and the warrant transactions are separate transactions, each entered into by the Company with the counterparties, which are not part of the terms of the Notes and will not affect the holders' rights under the Notes. The cost of the convertible note hedge transactions to the Company was approximately $23.8 million, and has been accounted for as an equity transaction in accordance with

ASC 815-40, *Contracts in Entity's own Equity.* The Company received proceeds of approximately $13 million related to the sale of the warrants, which has also been classified as equity as the warrants meet the classification criteria under ASC 815-40-25, in which the warrants and the convertible note hedge transactions require settlements in shares and provide the Company with the choice of a net cash or common shares settlement. As the convertible note hedge and warrants are indexed to our common stock, we recognized them in *Additional paid-in capital,* and will not recognize subsequent changes in fair value as long as the instruments remain classified as equity.

Interest on the Notes is payable semiannually on November 1 and May 1 of each year, beginning May 1, 2010. The notes will mature and convert on November 1, 2014, unless previously converted in accordance with their terms. The notes will be TCS's senior unsecured obligations and will rank equally with all of its present and future senior unsecured debt and senior to any future subordinated debt. The notes will be structurally subordinate to all present and future debt and other obligations of TCS's subsidiaries and will be effectively subordinate to all of TCS's present and future secured debt to the extent of the collateral securing that debt. The notes are not redeemable by TCS prior to the maturity date.

On December 15, 2009, the Company issued $40 million in promissory notes as part of the consideration paid for the acquisition of NIM, see Note 2 for a description of the terms of these notes.

On December 31, 2009, we refinanced our June 2009 commercial bank term loan agreement with a $40 million five year term loan (the "Term Loan") that replaces the Company's $20 million prior term loan. The company drew $30 million of the term funds available with a maturity date in June 2014, and the remaining $10 million is available to draw no later than September 2010. The principal amount outstanding under the Term Loan accrues interest at a floating per annum rate equal to the rate which is the greater of (i) 4% per annum, or (ii) 0.5% above the banks prime rate (3.25% at June 30, 2010). The principal amount outstanding under the Term Loan is payable in sixty equal installments of principal of $556 beginning on January 29, 2010 and interest is payable on a monthly basis. Funds from the increase in the amount of the Term Loan were used primarily to retire the June 2009 term loan. In June 2009, we financed a $20,000, five year term loan with interest calculated at a floating per annum rate equal to the rate which is the greater of (i) 4% per annum, or (ii) 0.5% above the banks prime rate, which was repayable in monthly installments of $333 plus interest. The additional funds provided in our June 2009 agreement were used primarily to retire our June 2007 five year bank term loan and for the acquisition of substantially of the assets of LocationLogic.

Our bank Loan Agreement contains customary representations and warranties and customary events of default. Availability under the Line of Credit is subject to certain conditions, including the continued accuracy of the Company's representations and warranties. The Loan Agreement also contains subjective covenants that require (i) no material impairment in the perfection or priority of the bank's lien in the collateral of the Loan Agreement, (ii) no material adverse change in the business, operations, or condition (financial or otherwise) of the Borrowers, or (iii) no material impairment of the prospect of repayment of any portion of the borrowings under the Loan Agreement. The Loan Agreement also contains covenants requiring the Company to maintain a minimum adjusted quick ratio and a fixed charge coverage ratio as well as other restrictive covenants including, among others, restrictions on the Company's ability to dispose part of its business or property; to change its business, liquidate or enter into certain extraordinary transactions; to merge, consolidate or acquire stock or property of another entity; to incur indebtedness; to encumber its property; to pay dividends or other distributions or enter into material transactions with an affiliate. As of June 30, 2010, we were in compliance with the covenants related to the Loan Agreement and we believe that we will continue to comply with these covenants in the foreseeable future. If our performance does not result in compliance with any of these restrictive covenants, we would seek to further modify our financing arrangements, but there can be no assurance that the bank would not exercise its rights and remedies under the Loan Agreement, including declaring all outstanding debt due and payable.

12. *Capital leases*

We lease certain equipment under capital leases. Property and equipment acquired under capital leases totaled $3,068 and $5,706 during the three- and six-months ended June 30, 2010, respectively. We acquired $2,530 and $4,579 of property under capital leases during the three- and six-months ended June 30, 2009, respectively. Capital leases are collateralized by the leased assets. Amortization of leased assets is included in depreciation and amortization expense.

Future minimum payments under capital lease obligations consisted of the following at June 30, 2010:

2010	$ 5,099
2011	4,784
2012	3,441
2013	1,668
Total minimum lease payments	14,992
Less: amounts representing interest	(1,623)
Present value of net minimum lease payments (including current portion of $4,278)	$ 13,369

13. *Income taxes*

Our provision for income taxes totaled $2,367 and $2,777 for the three and six-months ended June 30, 2010, respectively, as compared to $4,230 and $7,345 being recorded for the three- and six-months ended June 30, 2009. The expense recorded for the six-month period ended June 30, 2010 is comprised of current year tax expense of $4,528 recorded based on pretax income plus a discrete tax benefit of $1,751 recorded related to Research & Experimentation tax credits. Excluding discrete items, the effective tax rate was approximately 43% for the three-months ended June 30, 2010 and approximately 42% for the six-months ended June 30, 2010. The effective tax rate was approximately 39% for both the three- and six-months ended June 30, 2009.

The significant changes to unrecognized tax benefits during the three- and six-months ended June 30, 2010 apply to the reduction for Research & Experimentation tax credits as a result of the Company completing an in depth analysis during first quarter. We do not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

14. *Commitments and Contingencies*

The Company has been notified that some customers will or may seek indemnification under its contractual arrangements with those customers for costs associated with defending lawsuits alleging infringement of certain patents through the use of our products and services in combination with the use of products and services of multiple other vendors. In some cases we have agreed to assume the defense of the case. In others, the Company will continue to negotiate with these customers in good faith because the Company believes its technology does not infringe on the cited patents and due to specific clauses within the customer contractual arrangements that may or may not give rise to an indemnification obligation. The Company cannot currently predict the outcome of these matters and the resolutions could have a material effect on our consolidated results of operations, financial position or cash flows.

In November 2001, a shareholder class action lawsuit was filed against us, certain of our current officers and a director, and several investment banks that were the underwriters of our initial public offering (the "Underwriters"): Highstein v. TeleCommunication Systems, Inc., et al., United States District Court for the Southern District of New York, Civil Action No. 01-CV-9500. The plaintiffs seek an unspecified amount of damages. The lawsuit purports to be a class action suit filed on behalf of purchasers of our Class A Common Stock during the period August 8, 2000 through December 6, 2000. The plaintiffs allege that the Underwriters agreed to allocate our Class A Common Stock offered for sale in our initial public offering to certain purchasers in exchange for excessive and undisclosed commissions and agreements by those purchasers to make additional purchases of our Class A Common Stock in the aftermarket at pre-determined prices. The plaintiffs allege that all of the defendants violated Sections 11, 12 and 15 of the Securities Act, and that the underwriters violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The claims against us of violation of Rule 10b-5 have been dismissed with the plaintiffs having the right to re-plead. On February 15, 2005, the District Court issued an Order preliminarily approving a settlement agreement among class plaintiffs, all issuer defendants and their insurers, provided that the parties agree to a modification narrowing the scope of the bar order set forth in the settlement agreement. The parties agreed to a modification narrowing the scope of the bar order, and on August 31, 2005, the court issued an order preliminarily approving the settlement. On December 5, 2006, the United States Court of Appeals for the Second Circuit overturned the District Court's certification of the class of plaintiffs who are pursuing the claims that would be settled in the settlement against the underwriter defendants. Plaintiffs filed a Petition for Rehearing and Rehearing En Banc with the Second Circuit on January 5, 2007 in response to the Second Circuit's decision. On April 6, 2007, the Second Circuit denied plaintiffs' rehearing petition, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. On June 25, 2007, the District Court signed an Order terminating the settlement. On November 13, 2007, the issuer defendants in certain designated "focus cases" filed a motion to dismiss the second consolidated amended class action complaints that were filed in those cases. On March 26, 2008, the District Court issued an Opinion and Order denying, in large part, the motions to dismiss the amended complaints in the "focus cases." On April 2, 2009, the plaintiffs filed a motion for preliminary approval of a new proposed settlement between plaintiffs, the underwriter defendants, the issuer defendants and the insurers for the issuer defendants. On June 10, 2009, the Court issued an opinion preliminarily approving the proposed settlement, and scheduling a settlement fairness hearing for September 10, 2009. On August 25, 2009, the plaintiffs filed a motion for final approval of the proposed settlement, approval of the plan of distribution of the settlement fund, and certification of the settlement classes. A settlement fairness hearing was held on September 10, 2009. On October 5, 2009, the Court issued an opinion granting plaintiffs' motion for final approval of the settlement, approval of the plan of distribution of the settlement fund, and certification of the settlement classes. We intend to continue to defend the lawsuit until the matter is resolved. We have purchased a Directors and Officers insurance policy which we believe should cover any potential liability that may result from these laddering class action claims, but can provide no assurance that any or all of the costs of the litigation will ultimately be covered by the insurance. No reserve has been created for this matter. More than 300 other companies have been named in nearly identical lawsuits that have been filed by some of the same law firms that represent the plaintiffs in the lawsuit against us.

Other than the items discussed immediately above, we are not currently subject to any other material legal proceedings. However, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

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

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the consolidated financial statements, related notes, and other detailed information included elsewhere in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (this "Form 10-Q"). This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are statements other than historical information or statements of current condition. We generally identify forward-looking statements by the use of terms such as "believe", "intend", "expect", "may", "should", "plan", "project", "contemplate", "anticipate", or other similar statements. Examples of forward looking statements in this Quarterly Report on Form 10-Q include, but are not limited to statements: (a) regarding our belief that our technology does not infringe the patents related to customer indemnification requests and our estimates of the indemnification requests effects on our results of operations; (b) regarding our expectations with regard to the notes hedge transactions; (c) that we believe we have sufficient capital resources to fund our operations for the next twelve months and that we currently plan to settle the December 2010 debt obligation with cash; (d) as to the sufficiency of our capital resources to meet our anticipated working capital and capital expenditures for at least the next twelve months, (e) that we expect to realize approximately $201.7 million of backlog in the next twelve months, (f) that we believe that capitalized software development costs will be recoverable from future gross profits (g) regarding our belief that we were in compliance with our loan covenants and that we believe that we will continue to comply with these covenants, (h) regarding our expectations with regard to income tax assumptions and assumptions related to future stock compensation expenses, (i) regarding our expectations related to allowances for potential credit losses, and (j) indicating our insurance policies should cover all of the costs of the claims in the IPO laddering class action lawsuit.

These forward-looking statements relate to our plans, objectives and expectations for future operations. We base these statements on our beliefs as well as assumptions made using information currently available to us. In light of the risks and uncertainties inherent in all such projected operational matters, the inclusion of forward-looking statements in this report should not be regarded as a representation by us or any other person that our objectives or plans will be achieved or that any of our operating expectations will be realized. Revenues, results of operations, and other matters are difficult to forecast and our actual financial results realized could differ materially from the statements made herein, as a result of the risks and uncertainties described in our filings with the Securities and Exchange Commission. These include without limitation risks and uncertainties relating to our financial results and our ability to (i) continue to rely on our customers and other third parties to provide additional products and services that create a demand for our products and services, (ii) conduct our business in foreign countries, (iii) adapt and integrate new technologies into our products, (iv) develop software without any errors or defects, (v) protect our intellectual property rights, (vi) implement our business strategy, (vii) realize backlog, (viii) compete with small business competitors, (ix) effectively manage our counterparty risks, (x) achieve continued revenue growth in the foreseeable future in certain of our business lines, (xi) have sufficient capital resources to fund the Company's operations, and (xii) successfully integrate the assets and personnel obtained in our acquisitions. These factors should not be considered exhaustive; we undertake no obligation to release publicly the results of any future revisions we may make to forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. We caution you not to put undue reliance on these forward-looking statements.

The information in this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" discusses our unaudited consolidated financial statements, which have been prepared in accordance with GAAP for interim financial information.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We have identified our most critical accounting policies and estimates to be those related to the following:

- Revenue recognition,
- Acquired intangible assets,
- Impairment of goodwill,
- Stock compensation expense,
- Income taxes,
- Business combinations, and
- Legal and other contingencies.

This discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2009 (the "2009 Form 10-K"). See Note 1 to the unaudited interim consolidated financial statements included elsewhere in this Form 10-Q for a list of the standards implemented for the six-months ended June 30, 2010.

Overview

Our business is reported using two business segments: (i) the Commercial Segment, which consists principally of communication technology for wireless networks, principally based on text messaging and location-based services, including our E9-1-1 application and other applications for wireless carriers and Voice Over IP service providers, and (ii) the Government Segment, which includes the engineering, deployment and field support of information processing and communication solutions, mainly satellite-based, and related services to government agencies.

2009 Acquisitions

During 2009, our company completed four acquisitions, the details of which are described in the Business Section and Financial Statement Footnote 2 of our 2009 Form 10-K.

For the Commercial Segment:

- On May 19, 2009, we acquired substantially all of the assets of LocationLogic LLC ("LocationLogic"), a provider of infrastructure, applications and services for carriers and enterprises to deploy location-based services.

- On December 15, 2009, we acquired Networks In Motion, Inc., ("NIM") a provider of wireless navigation solutions for GPS-enabled mobile phones.

For the Government Segment:

- On November 3, 2009, we acquired Solvern Innovations, Inc., ("Solvern") a provider of comprehensive communications products and solutions, training, and technology services for cyber security-based platforms.

- On November 16, 2009, we acquired substantially all of the assets of Sidereal Solutions, Inc., ("Sidereal"), a satellite communications technology engineering, operations and maintenance support services company.

Operating results of each of these acquisitions are reflected in the Company's consolidated financial statements from the date of acquisition.

This "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" provides information that our management believes to be necessary to achieve a clear understanding of our financial statements and results of operations. You should read this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" together with Item 1A "Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2009 Form 10-K as well as the unaudited interim consolidated financial statements and the notes thereto located elsewhere in this Form 10-Q.

Indicators of Our Financial and Operating Performance

Our management monitors and analyzes a number of performance indicators in order to manage our business and evaluate our financial and operating performance. Those indicators include:

- *Revenue and gross profit.* We derive revenue from the sales of systems and services including recurring monthly service and subscriber fees, maintenance fees, software licenses and related service fees for the design, development, and deployment of software and communication systems, and products and services derived from the delivery of information processing and communication systems to governmental agencies.

- *Gross profit represents revenue minus direct cost of revenue, including certain non–cash expenses.* The major items comprising our cost of revenue are compensation and benefits, third–party hardware and software, amortization of software development costs, non–cash stock–based compensation, and overhead expenses. The costs of hardware and third–party software are primarily associated with the delivery of systems, and fluctuate from period to period as a result of the relative volume, mix of projects, level of service support required and the complexity of customized products and services delivered. Amortization of software development costs, including acquired technology, is associated with the recognition of systems revenue from our Commercial Segment.

- *Operating expenses.* Our operating expenses are primarily compensation and benefits, professional fees, facility costs, marketing and sales–related expenses, and travel costs as well as certain non–cash expenses such as non–cash stock compensation expense, depreciation and amortization of property and equipment, and amortization of acquired intangible assets.

- *Liquidity and cash flows.* The primary driver of our cash flows is the results of our operations. Other important sources of our liquidity are our convertible debt agreement, financial institution loan agreement, lease financings secured for the purchase of equipment and potential borrowings under our credit lines.

- *Balance sheet.* We view cash, working capital, and accounts receivable balances and days revenues outstanding as important indicators of our financial health.

Results of Operations

The comparability of our operating results in the three– and six–month period ended June 30, 2010 to the three– and six–month period ended June 30, 2009 is affected by our 2009 acquisitions, three of the four acquisitions occurred in the fourth quarter of 2009, so there was no impact on the revenue and costs and expense total in the first six–months of 2009. Our acquisitions did not result in the entry into a new line of business or product category; they added products and services with substantially similar features and functionality to our incumbent business. Where variances in our results of operations for the first six–

months of 2010 compared to the first six-months of 2009 were clearly related to the acquisitions, such as revenue and increases in amortization of intangibles, we describe the effects. Operation of the acquired businesses has been fully integrated into our existing operations.

Revenue and Cost of Revenue

The following discussion addresses the revenue, direct cost of revenue, and gross profit for our two business segments.

Commercial Segment:

($ in millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	2010 vs. 2009 $	2010 vs. 2009 %	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	2010 vs. 2009 $	2010 vs. 2009 %
Services revenue	$ 41.3	$ 20.7	$ 20.6	100%	$ 80.6	$ 38.5	$ 42.1	109%
Systems revenue	6.7	12.4	(5.7)	(46)%	15.3	20.2	(4.9)	(24)%
Commercial segment revenue	48.0	33.1	14.9	45%	95.9	58.7	37.2	63%
Direct cost of services revenue	20.4	8.4	12.0	143%	39.7	16.6	23.1	139%
Direct cost of systems revenue	3.5	2.4	1.1	46%	6.9	4.3	2.6	60%
Commercial segment cost of revenue	23.9	10.8	13.1	121%	46.6	20.9	25.7	123%
Services gross profit	20.9	12.3	8.6	70%	40.9	21.9	19.0	87%
% of revenue	*51%*	*59%*			*51%*	*57%*		
Systems gross profit	3.2	10.0	(6.8)	(68)%	8.4	15.9	(7.5)	(47)%
% of revenue	*48%*	*81%*			*55%*	*79%*		
Commercial segment gross profit[1]	$ 24.1	$ 22.3	$ 1.8	8%	$ 49.3	$ 37.8	$ 11.5	30%
% of revenue	*50%*	*67%*			*51%*	*64%*		

[1] *See discussion of segment reporting in Note 6 to the accompanying unaudited consolidated financial statements*

Commercial Services Revenue, Cost of Revenue, and Gross Profit:

Commercial services revenue increased by approximately 100% for both the three- and six-months ended June 30, 2010 versus the comparable periods of 2009.

Services revenue includes hosted wireless Location Based Service (LBS) applications including turn-by-turn navigation, people-finder, asset tracker and E9-1-1 service for wireless and E9-1-1 for Voice over Internet Protocol (VoIP) service providers, and hosted wireless LBS infrastructure including Position Determining Entity (PDE) service. This revenue primarily consists of monthly recurring service fees recognized in the month earned. Subscriber service revenue is generated by client software applications for wireless subscribers, generally on a per-subscriber per month basis. E9-1-1, PDE, VoIP and hosted LBS service fees are priced based on units served during the period, such as the number of customer cell sites, the number of connections to Public Service Answering Points (PSAPs), or the number of customer subscribers. Maintenance fees on our systems and software licenses are usually collected in advance and recognized ratably over the contractual maintenance period. Unrecognized maintenance fees are included in deferred revenue. Custom software development, implementation and maintenance services may be provided under time and materials or fixed-fee contracts.

Commercial services revenue in the three- and six-months ended June 30, 2010 was $20.6 million and $42.1 million higher, respectively, than the same periods for 2009 from increased subscriber revenue for LBS applications, more service connection deployments of our E9-1-1 services for cellular and VoIP service providers, and an increase in software maintenance revenue. The NIM and LocationLogic acquisitions contributed additional subscriber applications revenue during the three- and six-months ended June 30, 2010.

The direct cost of commercial services revenue consists primarily of compensation and benefits, network access, data feed and circuit costs, and equipment and software maintenance. The direct costs of maintenance revenue consist primarily of compensation and benefits expense. For the three- and six-months ended June 30, 2010, the direct cost of services revenue was $12.0 million and $23.1 million higher, respectively, than the three- and six-months ended June 30, 2009 primarily due to increase in labor and other direct costs related to the addition of NIM and LocationLogic businesses. We also incurred an increase in labor and direct costs related to custom development efforts responding to customer requests and deployment requirements for E9-1-1 VoIP.

Commercial services gross profit was $20.9 million and $12.3 million for the three-months ended June 30, 2010 and 2009, respectively, based on higher revenue. Commercial services gross profit was $40.9 million for the six-months ended June 30, 2010 compared to $21.9 million for the same period in 2009. Commercial services gross profit for the three- and six-months ended June 30, 2010 was approximately 70% and 87% higher than the three- and six-months ended June 30, 2009, primarily due to the contributions of the LocationLogic and NIM acquisitions. The inclusion of this subscriber application revenue in the 2010 mix brought the gross profit as a percentage of revenue from 59% to 51% in the three-months ended June 30, 2010 and from 57% to 51% in the six-months ended June 30, 2010.

Commercial Systems Revenue, Cost of Revenue, and Gross Profit:

We sell communications systems to wireless carriers incorporating our licensed software for enhanced services, including text messaging and location-based services. These systems are designed to incorporate our licensed software. We design our software to ensure that it is compliant with all applicable standards. Licensing fees for our carrier software are generally a function of its volume of usage in our customers' networks. As a carrier's subscriber base or usage increases, the carrier must purchase additional capacity under its license agreement and we receive additional revenue. We also realize license revenue from patents.

Commercial systems revenue for the three- and six-months ended June 30, 2010 was 46% and 24%, respectively, lower than in the comparable periods of 2009, due mainly to lower revenue from high-margin messaging systems, which was partly offset by increased revenue from location-based infrastructure systems.

The direct cost of our commercial systems consists primarily of compensation and benefits, purchased equipment, third-party hardware and software, travel expenses, consulting fees as well as the amortization of both acquired and capitalized software development costs for all reported periods. During the three- and six-months ended June 30, 2010, direct costs of systems included $2.3 million and $4.6 million, respectively, of amortization of software development costs. In the three- and six-months ended June 30, 2009, the composition of the direct cost of our systems was about the same except for $0.8 million and $1.3 million, respectively, of amortization of software development costs. The increase of 46% and 60% in the direct costs of systems in the three- and six-months ended June 30, 2010, respectively, compared to the same periods in 2009, reflects an increase in labor and direct costs related to custom development efforts responding to customer requests and deployment requirements for location-based systems.

Our commercial systems gross profit was $3.2 million and $8.4 million in the three- and six-months ended June 30, 2010, respectively, versus $10.0 million and $15.9 in the comparable periods of 2009. Commercial systems gross profit decreased approximately 68% and 47% for the three- and six-months ended June 30, 2010 compared to the same periods in 2009, down due to less higher-margin license software capacity sales offset partially by higher location systems revenue.

Government Segment:

($ in millions)	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	2010 vs. 2009 $	2010 vs. 2009 %	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	2010 vs. 2009 $	2010 vs. 2009 %
Services revenue	$ 22.1	$ 13.9	$ 8.2	59%	$ 42.7	$ 26.7	$ 16.0	60%
Systems revenue	22.6	20.1	2.5	12%	45.0	52.2	(7.2)	(14)%
Government segment revenue	44.7	34.0	10.7	31%	87.7	78.9	8.8	11%
Direct cost of services revenue	15.4	10.4	5.0	48%	30.5	20.6	9.9	48%
Direct cost of systems revenue	20.2	15.8	4.4	28%	39.7	40.8	(1.1)	(3)%
Government segment cost of revenue	35.6	26.2	9.4	36%	70.2	61.4	8.8	14%
Services gross profit	6.7	3.5	3.2	91%	12.2	6.1	6.1	100%
% of revenue	*30%*	*25%*			*29%*	*23%*		
Systems gross profit	2.4	4.3	(1.9)	(44)%	5.3	11.4	(6.1)	(54)%
% of revenue	*11%*	*21%*			*12%*	*22%*		
Government segment gross profit	9.1	7.8	1.3	17%	17.5	17.5	—	—
% of revenue	*20%*	*23%*			*20%*	*22%*		

[1] *See discussion of segment reporting in Note 6 to the accompanying unaudited consolidated financial statements*

Government Services Revenue, Cost of Revenue, and Gross Profit:

Government services revenue primarily consists of professional communications engineering and field support, program management, help desk outsource, network design and management for government agencies, as well as operation of teleport (fixed satellite ground terminal) facilities for data connectivity via satellite including resale of satellite airtime. Systems maintenance fees are usually collected in advance and recognized ratably over the contractual maintenance periods. Government services revenue increased $8.2 million or 59% and $16.0 million or 60% for the three- and six-months ended June 30, 2010 compared to the three- and six-months ended June 30, 2009, respectively, as a result of revenue contributions from customer relationships associated with the Solvern and Sidereal operations added to our business during the fourth quarter of 2009, as well as new and expanded-scope contracts for professional services, satellite airtime services using our teleport facilities, and maintenance and field support. Direct cost of government services revenue consists of compensation, benefits and travel expenses incurred in delivering these services, as well as satellite space segment purchased for resale. These costs increased as a result of the increased volume of services.

Our gross profit from government services increased to $6.7 million and $12.2 in the three- and six-months ended June 30, 2010, respectively, up from $3.5 million and $6.1 million in the three- and six-months ended June 30, 2009, as a result of a higher volume of services, including business arising from the acquisitions of Sidereal and Solvern in November 2009. Government services gross profit was 30% and 25% of revenue for the three-months ended June 30, 2010 and 2009, respectively. Government services gross profit was 29% compared to 23% of revenue for the six-months ended June 30, 2010 and 2009, respectively, reflecting a more favorable mix of contracts.

Government Systems Revenue, Cost of Revenue, and Gross Profit:

We generate government systems revenue from the design, development, assembly and deployment of information processing and communication systems, primarily deployable satellite-based and line-of-sight communications systems, and integration of those systems into customer networks. These are largely variations on our SwiftLink® products, which are lightweight, secure, deployable communications systems, sold mainly to units of the U.S. Department of Defense, and other federal agencies.

Government systems sales were $22.6 million and $45.0 million in the three- and six-months ended June, 30 2010, compared to $20.1 million and $52.2 for the three- and six-months ended June 30, 2009. The fluctuations in the periods reported reflect changes in sales volume of our SwiftLink® and deployable communication systems due to the timing of government project funding.

The cost of our government systems revenue consists of costs related to purchased system components, compensation, benefits, travel, and the costs of third-party contractors. These costs have decreased as a direct result of the decrease in volume. These equipment and third-party costs are variable for our various types of products, and margins may fluctuate between periods based on pricing and product mixes.

Our government systems gross profit was $2.4 million or 11% of revenue in the three-months ended June 30, 2010, down from $4.3 million or 21% of revenue in the comparable period of 2009, due mainly to an increase of lower margin equipment pass-through sales. Our government systems gross profit was $5.3 million or 12% of revenue in the six-months ended June 30, 2010, down from $11.4 million or 22% of revenue in the six-months ended June 30, 2009, due mainly to an increase in lower margin equipment pass-through sales and lower sales volume of our SwiftLink® product line.

Revenue Backlog

As of June 30, 2010 and 2009, we had unfilled orders or backlog as follows:

($ in millions)	2010	2009	$	%
Commercial Segment	$ 261.0	$ 102.4	$ 158.6	155%
Government Segment	82.4	62.8	19.6	31%
Total funded contract backlog	$ 343.4	$ 165.2	$ 178.2	108%
Commercial Segment	$ 261.0	$ 102.4	$ 158.6	155%
Government Segment	350.5	303.8	46.7	15%
Total backlog of orders and commitments, including customer options	$ 611.5	$ 406.2	$ 205.3	51%
Expected to be realized within next 12 months	$ 201.7	$ 124.2	$ 77.5	62%

Funded contract backlog on June 30, 2010 was $343.4 million, of which the Company expects to recognize $201.7 million in the next twelve months. Total backlog was $611.5 million at the end of the first half of 2010. Funded contract backlog represents contracts for which fiscal year funding has been appropriated by our customers (mainly federal agencies), and for our hosted services is computed by multiplying the most recent month's recurring revenue times the remaining months under existing long-term agreements, which we believe is the best available information for anticipating revenue under those agreements. Total backlog, as is typically measured by government contractors, includes orders covering optional periods of service and/or deliverables for which budgetary funding may not yet have been approved. Company backlog at any given time may be affected by a number of factors, including the availability of funding, contracts being renewed or new contracts being signed before existing contracts are completed. Some of our backlog could be canceled for causes such as late delivery, poor performance and other factors. Accordingly, a comparison of backlog from period to period is not necessarily meaningful and may not be indicative of eventual actual revenue.

Operating Expenses

Research and development expense:

($ in millions)	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	$	%	2010	2009	$	%
Research and development expense	$ 6.6	$ 4.9	$ 1.7	35%	$ 15.1	$ 9.8	$ 5.3	54%
% of total revenue	7%	7%			8%	7%		

Our research and development expense consists primarily of compensation, benefits, travel costs, and a proportionate share of facilities and corporate overhead. The costs of developing software products are expensed prior to establishing technological feasibility. Technological feasibility is established for our software products when a detailed program design is completed. We incur research and development costs to enhance existing packaged software products as well as to create new software products, including software hosted in our network operations centers. These costs primarily include compensation and benefits as well as costs associated with using third-party laboratory and testing resources. We expense such costs as they are incurred, unless technological feasibility has been reached and we believe that the capitalized costs will be recoverable, in which we capitalize and amortize over the product's expected life.

The expenses we incur relate mainly to software applications which are being marketed to new and existing customers on a global basis. Throughout the three- and six-months ended June 30, 2010 and 2009, research and development was primarily focused on wireless location-based subscriber and carrier applications, including navigation, people-locator, cellular E9-1-1 and Voice over IP E9-1-1, enhancements to our hosted LBS platform for carrier infrastructure, and enhancements to our text messaging deliverables.

For the three- and six-months ended June 30, 2010, we capitalized $1.4 million and $2.2 million, respectively, of research and development costs for certain software projects in accordance with the above policy versus $0.5 million and $0.6 for the comparable periods in 2009. These costs will be amortized on a product-by-product basis using the straight-line method over the product's estimated useful life, not longer than three years. Amortization is also computed using the ratio that current revenue for the product bears to the total of current and anticipated future revenue for that product (the revenue curve method). If this revenue curve method results in amortization greater than the amount computed using the straight-line method, amortization is recorded at that greater amount. We believe that these capitalized costs will be recoverable from future gross profits generated by these products.

Research and development expenses increased 35% and 54% for the three- and six-months ended June 30, 2010 versus the comparable period of 2009 primarily as a result of expenditures to improve location based application software for customers of the acquired NIM and LocationLogic businesses.

Sales and marketing expense:

($ in millions)	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
	2010	2009	$	%	2010	2009	$	%
Sales and marketing expense	$ 6.0	$ 4.2	$ 1.8	43%	$ 11.9	$ 8.2	$ 3.7	45%
% of total revenue	6%	6%			6%	6%		

Our sales and marketing expenses include fixed and variable compensation and benefits, trade show expenses, travel costs, advertising and public relations costs as well as a proportionate share of facility-related costs which are expensed as incurred. Our marketing efforts also include speaking engagements and attending and sponsoring industry conferences. We sell our software products and services through our direct sales force and through indirect channels. We have also historically leveraged our relationship with original equipment manufacturers to market our software products to wireless carrier customers.

We sell our products and services to agencies and departments of the U.S. Government primarily through direct sales professionals.

Sales and marketing expenses increased $1.8 million and $3.7 for the three- and six-months ended June 30, 2010 versus the comparable periods of 2009 due to increases in sales personnel, public relations fees, and variable compensation resulting mainly in support of the expansion enhanced by 2009 acquisitions.

General and administrative expense:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
($ in millions)	2010	2009	$	%	2010	2009	$	%
General and administrative expense	$ 9.8	$ 8.4	$ 1.4	17%	$ 18.3	$ 15.3	$ 3.0	20%
% of total revenue	11%	13%			10%	11%		

General and administrative expense consists primarily of management, finance, legal, human resources and internal information systems functions. These costs include compensation, benefits, professional fees, travel, and a proportionate share of rent, utilities and other facilities costs which are expensed as incurred.

The $1.4 million and $3.0 million increase in General and Administrative expense for the three- and six-months ended June 30, 2010 compared to the same periods in 2009 was due primarily to the increased costs to support the operations we acquired during 2009, as well as investments for process control enhancement and legal and professional costs associated with intellectual property.

Depreciation and amortization of property and equipment:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
($ in millions)	2010	2009	$	%	2010	2009	$	%
Depreciation and amortization of property and equipment	$ 2.3	$ 1.4	$ 0.9	64%	$ 4.2	$ 2.9	$ 1.3	45%
Average gross cost of property and equipment during the period	$ 78.8	$ 57.5			$ 75.1	$ 56.2		

Depreciation and amortization of property and equipment represents the period costs associated with our investment in information technology and telecommunications equipment, software, furniture and fixtures, and leasehold improvements. We compute depreciation and amortization using the straight-line method over the estimated useful lives of the assets, generally range from 5 years for furniture, fixtures, and leasehold improvements to three to four years for most other types of assets including computers, software, telephone equipment and vehicles.

In the three- and six-months ended June 30, 2010, our depreciable asset base increased primarily as a result of additions to property and equipment including purchases of about $16.8 million in the first half of 2010.

Amortization of acquired intangible assets:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
($ in millions)	2010	2009	$	%	2010	2009	$	%
Amortization of acquired intangible assets	$ 1.2	$ 0.1	$ 1.1	1100%	$ 2.3	$ 0.2	$ 2.1	1050%

The amortization of acquired non-goodwill intangible assets relates to the 2009 acquisitions of wireless location-based application and infrastructure technology assets acquired from LocationLogic, NIM, and the cyber security assets acquired from Solvern, and the 2004 acquisition of Kivera digital mapping business assets. These assets are being amortized over their useful lives of between five and nineteen years. The expense recognized in the three- and six-months ended June 30, 2010 relates to customer lists, customer relationships, courseware, and patents. The expense recognized in the three- and six-months ended June 30, 2009 relates to the intangible assets, including customer lists and patents, associated with the 2004 Kivera acquisition and a proportion of the May 19, 2009 LocationLogic acquisition.

Interest expense:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
($ in millions)	2010	2009	$	%	2010	2009	$	%
Interest expense incurred on bank and other notes payable	$ 0.9	$ 0.1	$ 0.8	800%	$ 1.9	$ 0.2	$ 1.7	850%
Interest expense incurred on 4.5% convertible debt financing	1.2	—	1.2	100%	2.3	—	2.3	100%
Interest expense incurred on capital lease obligations	0.2	0.1	0.1	100%	0.4	0.2	0.2	100%
Amortization of deferred financing fees	0.2	0.1	0.1	100%	0.4	0.1	0.3	300%
Total interest and financing expense	$ 2.5	$ 0.3	$ 2.2	733%	$ 5.0	$ 0.5	$ 4.5	900%

Interest expense is incurred under bank and other notes payable, convertible debt financing, and capital lease obligations. Financing expense reflects amortization of deferred up-front financing expenditures at the time of contracting for financing arrangements, which are being amortized over the term of the note or the life of the facility.

On November 16, 2009, the Company issued $103.5 million aggregate principal amount of 4.5% Convertible Senior Notes due 2014. Interest on the Notes is payable semiannually on November 1 and May 1 of each year, beginning May 1, 2010. The Notes will mature on November 1, 2014, unless previously converted in accordance with their terms. The Notes are TCS's senior unsecured obligations and will rank equally with all of its present and future senior unsecured debt and senior to any future subordinated debt. The Notes are structurally subordinate to all present and future debt and other obligations of TCS's subsidiaries and will be effectively subordinate to all of TCS's present and future secured debt to the extent of the collateral securing that debt. The Notes are not redeemable by TCS prior to the maturity date.

Interest on the bank term loan is at the bank's prime rate plus 0.5% per annum with a minimum rate of 4%. Interest on our capital leases is primarily at stated rates averaging about 7%.We have a commercial bank line of credit that has not been used for borrowings, and has therefore generated no interest expense, during the periods reported. Interest on our line of credit borrowing would be at the bank's prime rate which was 3.25% per annum as of June 30, 2010 with a minimum rate of 4%. In June 2009, we entered into the Third Amended and Restated Loan and Security Agreement with our principal bank. The June 2009 agreement provided for a $30 million revolving line of credit that replaced the Company's prior $22 million line of credit and a $20 million five year term loan that replaced the Company's prior $10 million term loan. Further details about our bank facilities are provided under Liquidity and Capital Resources.

On December 15, 2009,we issued $40 million in promissory notes as part of the consideration paid for the acquisition of NIM. The promissory notes bear simple interest at 6% and are due in three installments: $30 million on the 12 month anniversary of the closing, $5 million on the 18 month anniversary of the closing, and $5 million on the 24 month anniversary of the closing, subject to escrow adjustments. The promissory notes are effectively subordinated to TCS's secured debt and structurally subordinated to any present and future indebtedness and other obligations of TCS's subsidiaries.

Our capital lease obligations include interest at various amounts depending on the lease arrangements. Our interest under capital leases fluctuates depending on the amount of capital lease obligations in each year.

Overall our interest and financing expense was higher in the three– and six–months ended June 30, 2010 as a result of the increase in amounts financed in the fourth quarter of 2009, including the 4.5% convertible debt financing in November 2009. Interest expense on bank and other notes payable increased in the three– and six–months ended June 30, 2010 compared to the same periods in 2009 as a result of the NIM promissory notes and the December 2009 bank term loan. Interest on capital lease financing for the three– and six–months ended June 30, 2010 increased slightly for the three– and six–months ended June 30, 2009 due to additional funding for purchases of property and equipment. The higher 2010 amortization expense reflects the proration of fees to refinance our bank term loan and fees associated with the 4.5% convertible debt financing.

Other income/(expense), net:

Other income/(expense), net includes interest earned on investment accounts and foreign currency translation/transaction gain or loss, which is dependent on fluctuations in exchange rates. The other components of other income/(expense), net typically remain comparable between periods.

Income taxes:

Income tax expense was $2.8 million for the first half of 2010 against pre–tax income of $10.9 million for the first half of 2010, representing an effective tax rate of approximately 26%. The tax provision for the first half of 2010 was lower than would be normally expected as a result of a discrete adjustment to reduce the reserve against our deferred tax asset by about $1.8 million. Absent this adjustment, our effective tax rate for the first half of 2010 would have been approximately 42%. For the first six–months of 2009, we recorded a tax provision of $7.3 million, representing an effective tax rate of about 39%.

Net income:

	Three Months Ended June 30,		2010 vs. 2009		Six Months Ended June 30,		2010 vs. 2009	
($ in millions)	2010	2009	$	%	2010	2009	$	%
Net income	$ 3.1	$ 6.6	$ (3.5)	(53)%	$ 8.1	$ 11.5	$ (3.4)	(30)%

Net income decreased for the three– and six–months ended June 30, 2010 versus the comparable periods of 2009. The Company's higher revenue and gross profit were offset by an increase in interest expense as a result of our fourth quarter 2009 financing and an increase in operating expenses and depreciation and amortization expenses, primarily as a result of our 2009 acquisitions, and other factors discussed above.

Liquidity and Capital Resources

($ in millions)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009	2010 vs. 2009 $	2010 vs. 2009 %
Net cash and cash equivalents provided by/(used in):				
Income	$ 8.1	$ 11.5	$ (3.4)	(30)%
Non-cash charges	18.0	6.6	11.4	173%
Deferred income tax provision	2.8	6.7	(3.9)	(58)%
Net changes in working capital including changes in other assets	22.8	(3.3)	26.1	791%
Operating activities	51.7	21.5	30.2	140%
Acquisition of LocationLogic assets	—	(15.0)	15.0	100%
Purchases of property and equipment	(16.8)	(5.2)	(11.6)	(223)%
Capital purchases funded through leases	5.7	4.6	1.1	24%
Purchases of property and equipment, excluding assets funded by leasing	(11.1)	(0.6)	(10.5)	(1750)%
Capitalized software development costs	(2.2)	(0.6)	(1.6)	(267)%
Proceeds from new borrowings	—	20.0	(20.0)	(100)%
Other financing activities	(2.8)	(5.3)	2.5	47%
Net increase in cash	$ 35.6	$ 20.0	$ 15.6	78%
Days revenue in accounts receivable, including unbilled receivables at quarter-end	75	92		

Capital resources: We have funded our operations, acquisitions, and capital expenditures primarily using cash generated by our operations, as well as the capital leases to fund fixed asset purchases.

Sources and uses of cash: The Company's cash and cash equivalents balance was approximately $97 million at June 30, 2010, a $38 million increase from $59 million at June 30, 2009.

Operations: Cash generated by operating activities was $51.7 million for the first half of 2010 as compared to $21.5 million for the first half of 2009. The increased in the first half of 2010 is primarily due to the receipt of $15.7 million cash payment for a 2009 patent-related gain, as well as an increase in deferred revenue due to timing of percentage of completion projects, a decrease in accounts payable relating to the timing of vendor payments, and a decrease in accrued payroll and related liabilities due to the timing of payments.

Investing activities: Fixed asset additions, excluding assets funded by leasing, were approximately $11.1 million and $0.6 million, for the six-months ended June 30, 2010 and 2009, respectively. Also, investments were made in development of carrier software for resale which had reached the stage of development calling for capitalization, in the amounts approximately $2.2 million and $0.6 million for the six-months ended June 30, 2010 and 2009, respectively. On May 19, 2009, the company completed the transaction to purchase the LocationLogic business for seller proceeds of $25 million consisting of $15 million in cash and approximately 1.4 million of Company shares valued at $10 million.

Financing activities: Financing activities during the six-months ended June 30, 2010 were limited to scheduled term debt service payments and capital leasing. Fixed assets acquired under capital leases were valued at $5.7 million and $4.6 million during the six-months ended June 30, 2010 and 2009, respectively.

Capital Resources: We have a $35 million revolving Line of Credit with our principal bank through June 2012 with borrowing available at the bank's prime rate which was 3.25% per annum at June 30, 2010. Borrowings at any time are limited to an amount based principally on accounts receivable levels and working capital ratio, each as defined in the Line of Credit agreement. The Line of Credit available is also reduced by the amount of cash management services sublimit, which was $1.5 million June 30, 2010. As of June 30, 2010, we had no borrowings outstanding under our bank Line of Credit and had approximately $33.5 million of unused borrowing availability under the line.

The Line of Credit includes three sub-facilities: (i) a letter of credit sub-facility pursuant to which the bank may issue letters of credit, (ii) a foreign exchange sub-facility pursuant to which the Company may purchase foreign currency from the bank, and (iii) a cash management sub-facility pursuant to which the bank may provide cash management services (which may include, among others, merchant services, direct deposit of payroll, business credit cards and check cashing services) and in connection therewith make loans and extend credit to the Company. The principal amount outstanding under the Line of Credit accrues interest at a floating per annum rate equal to the rate which is the greater of (i) 4% per annum, or (ii) the bank's most recently announced "prime rate," even if it is not the Interest Rate. The principal amount outstanding under the Line of Credit is payable either prior to or on the maturity date and interest on the Line of Credit is payable monthly.

On November 16, 2009, the Company issued 4.5% Convertible Senior Notes to fund corporate initiatives which included the acquisition of NIM. Holders may convert the Notes at their option on any day prior to the close of business on the second "scheduled trading day" (as defined in the Indenture) immediately preceding November 1, 2014. The conversion rate will initially be 96.637 shares of our Class A common stock per $1,000 principal amount of the Notes, equivalent to an initial conversion price of approximately $10.348 per share of Class A common stock. At the time of this transaction, while this represented an approximately 30% conversion premium over the closing price of the Company's Class A common stock on November 10, 2009 of $7.96 per share, the effect of the convertible note hedge and warrant transactions, described below increased the effective conversion premium of the Notes to 60% above the November 10th closing price, to $12.74 per share.

In connection with the sale of the Notes, the Company entered into convertible note hedge transactions with respect to the Class A common stock with certain counterparties. The convertible note hedge transactions cover, subject to adjustments, 10,001,303 shares of Class A common stock. Also, in connection with the sale of the Notes, the Company entered into separate warrant transactions with certain counterparties the Warrant Dealers. The Company sold to the Warrant Dealers, warrants to purchase in the aggregate 10,001,303 shares of Class A common stock, subject to adjustments, at an exercise price of $12.736 per share of Class A common stock. The Company offered and sold the warrants to the Warrant Dealers in reliance on the exemption from registration provided by Section 4(2) of the Securities Act. The Company used a portion of the gross proceeds of the offering to pay the Company's cost of the convertible note hedge transactions. The convertible note hedge and the warrant transactions are separate transactions; each entered into by the Company with the counterparties, is not part of the terms of the Notes and will not affect the holders' rights under the Notes.

On December 15, 2009, we issued $40 million in promissory notes as part of the consideration paid for the acquisition of NIM. The promissory notes bear simple interest at 6% and are due in three installments: $30 million on the 12 month anniversary of the closing, $5 million on the 18 month anniversary of the closing, and $5 million on the 24 month anniversary of the closing, subject to escrow adjustments. The promissory notes are effectively subordinated to TCS's secured debt and structurally subordinated to any present and future indebtedness and other obligations of TCS's subsidiaries.

On December 31, 2009, we refinanced facilities under our bank Loan Agreement. A $40 million five-year Term Loan replaced the Company's $20 million prior term loan with the bank. The Company drew $30 million of the funds available. The remaining $10 million is available to draw no later than September 2010. The Term Loan maturity date is June 2014.

Under the Loan Agreement, the Company is obligated to repay all advances or credit extensions made pursuant to the Loan Agreement. The Loan Agreement is secured by substantially all of the Company's tangible and intangible assets as collateral, except that the collateral does not include any of the Company's intellectual property. The principal amount outstanding under the Term Loan accrues interest at the greater of (i) 4% per annum, or (ii) a floating per annum rate equal to one-half of one percentage point (0.5%) above the Interest Rate (3.25% at June 30, 2010). The principal amount outstanding under the Term Loan is payable in sixty (60) equal installments of principal beginning on January 29, 2010 and interest is payable on a monthly basis ($0.6 million plus interest per month). As of June 30, 2010, the amount outstanding under the Term Loan was $27 million. Funds from the increase in the amount of the Term Loan were used primarily to retire the June 2009 term loan. In June of 2009, we refinanced the unamortized balance under our June 2007 $10 million five-year note payable loan with a $20 million five-year note.

The Loan Agreement contains customary representations and warranties and customary events of default. Availability under the Line of Credit is subject to certain conditions, including the continued accuracy of the Company's representations and warranties. The Loan Agreement also contains subjective covenants that requires (i) no material impairment in the perfection or priority of the bank's lien in the collateral of the Loan Agreement, (ii) no material adverse change in the business, operations, or condition (financial or otherwise) of the Company, or (iii) no material impairment of the prospect of repayment of any portion of the borrowings under the Loan Agreement. The Loan Agreement also contains covenants requiring the Company to maintain a minimum adjusted quick ratio and a fixed charge coverage ratio as well as other restrictive covenants including, among others, restrictions on the Company's ability to dispose part of their business or property; to change their business, liquidate or enter into certain extraordinary transactions; to merge, consolidate or acquire stock or property of another entity; to incur indebtedness; to encumber their property; to pay dividends or other distributions or enter into material transactions with an affiliate of the Company.

As of June 30, 2010, we were in compliance with the covenants related to the Loan Agreement and we believe that we will continue to comply with these covenants. If our performance does not result in compliance with any of these restrictive covenants, we would seek to further modify our financing arrangements, but there can be no assurance that the bank would not exercise its rights and remedies under the Loan Agreement, including declaring all outstanding debt due and payable.

We currently believe that we have sufficient capital resources with cash generated from operations as well as cash on hand to meet our anticipated cash operating expenses, working capital, and capital expenditure and debt service needs for the next twelve months. We have borrowing capacity available to us in the form of capital leases as well as a line of credit arrangement with our principal bank which expires in June 2012. We may also consider raising capital in the public markets as a means to meet our capital needs and to invest in our business. Although we may need to return to the capital markets, establish new credit facilities or raise capital in private transactions in order to meet our capital requirements, we can offer no assurances that we will be able to access these potential sources of funds on terms acceptable to us or at all.

Contractual Commitments

As of June 30, 2010, our most significant commitments consisted of purchase obligations, term debt, obligations under capital leases and non-cancelable operating leases. Other long-term debt consists of contingent consideration included as part of the purchase price allocation of certain acquisitions. We lease certain furniture and computer equipment under capital leases. We lease office space and equipment under non-cancelable operating leases. Purchase obligations represent contracts for parts and services in connection with our government satellite services and systems offerings. As of June 30, 2010 our commitments consisted of the following:

($ in millions)	Within 12 Months	1-3 Years	3-5 Years	More than 5 Years	Total
Term loan	$ 7.7	$ 14.5	$ 6.8	$ —	$ 29.0
4.5% Convertible debt interest obligation	4.7	9.4	6.9	—	21.0
Promissory notes payable	37.7	5.3	—	—	43.0
Other long-term debt	3.0	3.4	—	—	6.4
Capital lease obligations	5.1	8.2	1.7	—	15.0
Operating leases	4.9	9.1	3.1	1.7	18.8
Purchase obligations	4.7	3.1	—	—	7.8
Total contractual commitments	$ 67.8	$ 53.0	$ 18.5	$ 1.7	$ 141.0

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk

There have not been any material changes to our interest rate risk as described in Item 7A of our 2010 Annual Report on Form 10-K.

Foreign Currency Risk

For the three- and six months ended June 30, 2010, we generated $3.2 million and $6.3 million, respectively, of revenue outside the U.S, mostly denominated in U.S. dollars. A change in exchange rates would not have a material impact on our Consolidated Financial Statements. As of June 30, 2010, we had approximately $1.6 million of billed accounts receivable that are denominated in foreign currencies and would be exposed to foreign currency exchange risk. During the six-months ended June 30, 2010, our average receivables subject to foreign currency exchange risk was $1.4 million and our average deferred revenue balances subject to foreign currency exchange risk was $0.9 million. We had an average balance of $0.2 million of unbilled receivables denominated in foreign currency during the six-months ended June 30, 2010. We recorded immaterial transaction gains or losses on foreign currency denominated receivables and deferred revenue for the six-months ended June 30, 2010.

There have not been any other material changes to our foreign currency risk as described in Item 7A of our 2009 Annual Report on Form 10-K.

Item 4. *Controls and Procedures*

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, and summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2010.

There have been no changes in the Company's internal control over financial reporting during the latest fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. — OTHER INFORMATION

Item 1. *Legal Proceedings*

In November 2001, a shareholder class action lawsuit was filed against us, certain of our current officers and a director, and several investment banks that were the underwriters of our initial public offering (the "Underwriters"): Highstein v. TeleCommunication Systems, Inc., et al., United States District Court for the Southern District of New York, Civil Action No. 01-CV-9500. The plaintiffs seek an unspecified amount of damages. The lawsuit purports to be a class action suit filed on behalf of purchasers of our Class A Common Stock during the period August 8, 2000 through December 6, 2000. The plaintiffs allege that the Underwriters agreed to allocate our Class A Common Stock offered for sale in our initial public offering to certain purchasers in exchange for excessive and undisclosed commissions and agreements by those purchasers to make additional purchases of our Class A Common Stock in the aftermarket at pre-determined prices. The plaintiffs allege that all of the defendants violated Sections 11, 12 and 15 of the Securities Act, and that the underwriters violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder. The claims against us of violation of Rule 10b-5 have been dismissed with the plaintiffs having the right to re-plead. On February 15, 2005, the District Court issued an Order preliminarily approving a settlement agreement among class plaintiffs, all issuer defendants and their insurers, provided that the parties agree to a modification narrowing the scope of the bar order set forth in the settlement agreement. The parties agreed to a modification narrowing the scope of the bar order, and on August 31, 2005, the court issued an order preliminarily approving the settlement. On December 5, 2006, the United States Court of Appeals for the Second Circuit overturned the District Court's certification of the class of plaintiffs who are pursuing the claims that would be settled in the settlement against the underwriter defendants. Plaintiffs filed a Petition for Rehearing and Rehearing En Banc with the Second Circuit on January 5, 2007 in response to the Second Circuit's decision. On April 6, 2007, the Second Circuit denied plaintiffs' rehearing petition, but clarified that the plaintiffs may seek to certify a more limited class in the District Court. On June 25, 2007, the District Court signed an Order terminating the settlement. On November 13, 2007, the issuer defendants in certain designated "focus cases" filed a motion to dismiss the second consolidated amended class action complaints that were filed in those cases. On March 26, 2008, the District Court issued an Opinion and Order denying, in large part, the motions to dismiss the amended complaints in the "focus cases." On April 2, 2009, the plaintiffs filed a motion for preliminary approval of a new proposed settlement between plaintiffs, the underwriter defendants, the issuer defendants and the insurers for the issuer defendants. On June 10, 2009, the Court issued an opinion preliminarily approving the proposed settlement, and scheduling a settlement fairness hearing for September 10, 2009. On August 25, 2009, the plaintiffs filed a motion for final approval of the proposed settlement, approval of the plan of distribution of the settlement fund, and certification of the settlement classes. A settlement fairness hearing was held on September 10, 2009. On October 5, 2009, the Court issued an opinion granting plaintiffs' motion for final approval of the settlement, approval of the plan of distribution of the settlement fund, and certification of the settlement classes. We intend to continue to defend the lawsuit until the matter is resolved. We have purchased a Directors and Officers insurance policy which we believe should cover any potential liability that may result from these laddering class action claims, but can provide no assurance that any or all of the costs of the litigation will ultimately be covered by the insurance. No reserve has been created for this matter. More than 300 other companies have been named in nearly identical lawsuits that have been filed by some of the same law firms that represent the plaintiffs in the lawsuit against us.

Other than the items discussed immediately above, we are not currently subject to any other material legal proceedings. However, we may from time to time become a party to various legal proceedings arising in the ordinary course of our business.

Item 1A. *Risk Factors*

There have not been any material changes to the information previously disclosed in "Item 1A. Risk Factors" in our 2009 Annual Report on Form 10-K.

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

None.

Item 3. ***Defaults Upon Senior Securities***

None.

Item 4. ***Removed and Reserved***

Item 5. ***Other Information***

(a) None

(b) None.

Item 6. ***Exhibits***

Exhibit Numbers	Description
31.1	Certification of CEO required by the Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)
31.2	Certification of CFO required by the Securities and Exchange Commission Rule 13a-14(a) or 15d-14(a)
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on the 5th day of August 2010.

TELECOMMUNICATION SYSTEMS, INC.

By: /s/ Maurice B. Tosé
Maurice B. Tosé
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

/s/ Maurice B. Tosé Maurice B. Tosé August 5, 2010	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ Thomas M. Brandt, Jr. Thomas M. Brandt, Jr. August 5, 2010	Senior Vice President and Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

TCS TeleCommunication Systems
Enabling Convergent Technologies®

CERTIFICATIONS

I, Maurice B. Tosé, certify that:

a) I have reviewed this quarterly report on Form 10-Q of TeleCommunication Systems, Inc.;

b) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

d) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

e) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Maurice B. Tosé
Maurice B. Tosé
Chairman, CEO and President

Exhibit 31.2

TCS TeleCommunication Systems

Enabling Convergent Technologies®

CERTIFICATIONS

I, Thomas M. Brandt, Jr, certify that:

a) I have reviewed this quarterly report on Form 10-Q of TeleCommunication Systems, Inc.;

b) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

d) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

e) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

/s/ Thomas M. Brandt, Jr.
Thomas M. Brandt, Jr.
Sr. Vice President & CFO

Exhibit 32.1

Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Maurice B. Tosé, President and Chief Executive Officer (principal executive officer) of TeleCommunication Systems, Inc. (the "Registrant"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Maurice B. Tosé
Maurice B. Tosé
Date: August 5, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

I, Thomas M. Brandt, Jr., Chief Financial Officer (principal financial officer) of TeleCommunication Systems, Inc. (the "Registrant"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2010 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Act of 1934 (15 U.S.C. 78m); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas M. Brandt, Jr.
Thomas M. Brandt, Jr.
Date: August 5, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

TITLE PAGE
OF
MISSOURI TARIFF APPLICABLE TO E91-1-1 SERVICES

Telecommunications Services Furnished by
NextGen Communications, Inc.

This tariff, filed with the Missouri Public Service Commission contains the descriptions, regulations, and rates applicable to the furnishing of E9-1-1 services by NextGen Communications, Inc. (NextGen). NextGen is providing service to non-residential/commercial customers.

WAIVERS

NextGen is classified as a competitive telecommunications company. Application of the following statutes and regulatory rules shall be waived:

	Statutory Provisions
392.210.2	Uniform System of Accounts
392.240.1	Just & Reasonable Rates
392.270	Ascertain Property Values
392.280	Depreciation Accounts
392.290	Issuance of Securities
392.300.2	Acquisition of Stock
392.310	Issuance of stock and debt
392.320	Stock dividend payment
392.330	Issuance of securities, debts & notes
392.340	Reorganizations

	Commission Rules
4 CSR 240-10.020	Depreciation fund income
4 CSR 240-30.040	Uniform system of accounts
4 CSR 240-3.550(5)(C)	File exchange boundary maps with Commission

CONTACT INFORMATION

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NextGen provides a 24 hour, 7 days a week, 365 days a year accessible toll free service number, (800) 959-3749.

TABLE OF CONTENTS PAGE

TARIFF FORMAT AND EXPLANATION OF SYMBOLS

Page Numbering: Page numbers appear in the upper right hand corner of the page. Pages are numbered sequentially. From time to time new pages may be added to the Tariff. When a new page is added between existing pages a decimal is added to the preceding page number. For example, a new page added between Pages 3 and 4 would be numbered 3.1.

Explanation of Symbols: When changes are made in any Tariff page, a revised page will be issued replacing the affected Tariff page. Changes will be identified on the revised page(s) in the right hand margin on each line changed through the use of the following symbols:

(C) To signify changed regulation

(D) To signify discontinued material

(I) To signify rate or charge increase

(M) To signify material relocated without change in text or rate

(N) To signify new material

(O) To signify material relocated without change in text but with an increase in rate

(D) To signify a decreased rate

(S) To signify reissued material

(T) To signify a change in text but no change in rate or regulation

(Z) To signify a correction

APPLICATION OF TARIFF

This tariff sets forth the service offerings, rates, terms, and conditions applicable to the furnishing of intrastate telecommunications services by NextGen Communications, Inc., hereinafter referred to as the Company, to customers within the State of Missouri.

SECTION 1. - DEFINITIONS

Automatic Location Identification (ALI) Database

See Location Database. Traditionally, the ALI Database maintained the name and address associated with the calling party's telephone number (identified by ANI Feature). In the future, ALI data may only be a portion of the location data available in the Location database.

Automatic Location Identification (ALI) to Automatic Location Identification (ALI) data transfer

A feature by which Automatic Location Identification (ALI) data is transferred to another provider's Automatic Location Identification (ALI) system.

Automatic Location Identification (ALI) PSAP port

A port on the ALI database system used to deliver Automatic Number Identification (ANI) to the PSAP.

Automatic Number Identification (ANI)

A feature by which the calling party's ANI telephone number is forwarded to the E9-1-1 Control Office and to the PSAPs Display and Transfer Units.

Business Customer

A Customer who subscribes to the Company's Service(s) and whose primary use of the Service is of a business, professional, institutional, or otherwise occupational nature.

Call Routing Device
An intelligent network device that, based on the identified number of the calling party (and potentially other factors), routes an E9-1-1 call from a central office to the designated primary PSAP. (See "Selective Routing")

Company

Used throughout this tariff to refer to NextGen Communications, Inc., a Maryland corporation, unless otherwise clearly indicated by the context.

Customer

A current or potential buyer or user of the services identified in this tariff. This is typically through purchasing the services; however, the term also includes by extension anyone who uses or experiences the services of another.

SECTION 1. – DEFINITIONS, CONTINUED

Database Management System (DBMS)

See Location Validation Function

Default Routing (DR)

A feature activated when an incoming E9-1-1 call cannot be selectively routed due to an ANI failure, garbled digits, or other causes. Such incoming calls are routed from the E9-1-1 Control Office to a default PSAP. Each incoming E9-1-1 facility group to the E9-1-1 Control Office is assigned to a designated default PSAP. This is a standard feature of E9-1-1 Service.

Display and Transfer Unit

A console and associated common equipment for displaying ANI numbers at the PSAP attendant position and used by the attendant to activate Fixed and/or Selective Transfer functions.

E9-1-1 Call or E9-1-1 Service

A telecommunications service that uses ANI, ALI (including non-listed and non-published numbers and addresses), Selective Routing, and the three-digit number "9-1-1," for a caller wishing to report police, fire, medical, or other emergency situations (as examples) to a PSAP for referral to a public safety agency. As used in this tariff, E9-1-1 does not include discretionary equipment purchased, or contracted for that is not essential to the provision of E9-1-1 service.

Emergency Service Number (ESN)

Unique numbers provided by the Company to be associated by the customer with street address ranges or other mutually agreed upon routing criteria for selective routing of calls to unique combinations of police, fire, ambulance and any other appropriate agencies responsible for providing emergency service in the E9-1-1 serving area.

End Office

The central office(s) which receive originating E9-1-1 calls.

Enhanced 9-1-1 (E9-1-1) Service Area

The geographic area in which the E9-1-1 authority will respond to all E9-1-1 calls and dispatch appropriate emergency assistance.

SECTION 1. – DEFINITIONS, CONTINUED

Enhanced 9-1-1 (E9-1-1) Transport

Telephone lines or facilities that are dedicated to an E9-1-1 system. Enhanced 9-1-1 transport lines for PSALI connect a customer's PBX to the E9-1-1 Control Office.

Individual Contract Basis (ICB)

A service arrangement where the regulations, rates, and charges are developed based on the specific circumstances of the Customer's situation and set out in a separate agreement with the Customer. An ICB may incorporate this or other applicable tariffs by reference.

Internet Protocol (IP)

The Internet Protocol (IP) is a method used for communicating data across a packet-switched digital network. Sometimes also referred to as TCP/IP.

Location Database

An ALI, Location Information Server, or other database that stores location information for emergency services use.

Location Database Call Routing Device Port

A port on the Location database system used to deliver 9-1-1 calling information to the Call Routing Device.

SECTION 1. – DEFINITIONS, CONTINUED

Location Validation Function

Device and Location Database features and determines whether a location description is valid for the given area. This function was traditionally provided by a DBMS using the MSAG. For NextGen's 9-1-1, the data source will not be only the MSAG if an MSAG is used at all. In NextGen's 9-1-1 system, the creation of the valid locations is carried out by the Master Location Validation System A system that stores and receives updates of the data required to provide the Call Routing.

Manual Transfer

A feature that enables the PSAP attendant to transfer an incoming call by depressing the switchhook of the associated telephone or a button on the Display and Transfer Unit and dialing either a 7-digit or 10-digit telephone number or a 2-digit speed calling code. Manual Transfer is associated with the E9-1-1 trunk unit and is a standard feature of E9-1-1 Service.

Master Location Validation System

A system that acts as the master source for valid locations in a given area. Traditionally, a DBMS is used to create and maintain an MSAG. In NextGen's 9-1-1 system, the Master Location Validation System will be a GIS system.

Master Street Address Guide (MSAG)

The document or computer file that lists the standard street names, address ranges, political community designations, and routing codes (ESNs).

Pseudo Automatic Number Identification

A feature in which a number, assigned to the area served by a wireless communications provider's tower or a sector of the area served by a tower, is forwarded to the E9-1-1 Call Routing Device and to the PSAPs Display and Transfer Units.

Private Switch/Automatic Location Identification Customer

The Private Switch or Location Database customer may be a municipality or other state or local governmental unit, or an authorized agent of one or more municipalities or other state or local governmental units to whom authority has been lawfully delegated, or a PBX owner/operator, or Centrex/CENTRON customer who desires to provide station location information to the E9-1-1 system.

SECTION 1. – DEFINITIONS, CONTINUED

Public Safety Answering Point (PSAP)

An answering location for 9-1-1 calls originating in a given area. A PSAP may be designated as Primary or Secondary, which refers to the order in which calls are directed for answering. Primary PSAPs respond first; Secondary PSAPs receive calls on a transfer basis only and generally serve as a centralized answering location for a particular type of emergency call. PSAPs are staffed by employees of service agencies such as police, fire, or emergency medical or by employees of a common bureau serving a group of such entities.

Public Safety Answering Point (PSAP) Trunk

A trunk used to deliver ANY information from a Call Routing Device to a PSAP. The PSAP trunk may be set to receive a 9-1-1 call in several different formats. The trunk could be TDM or IP. The PSAP trunk is also used to connect and carry voice transmission, and in the case of IP (VoIP) possibly the location information, from the Call Routing Device.

Routing Telephone Number (RTN)

A number that when dialed rings to a specific Public Safety Answering Point. This is used for connectivity from the PSTN to the 9-1-1 network of a Public Safety Answering Point.

Routing Telephone Number Port

A port in the Call Routing Device used to connect the routing telephone number line.

Selective Routing (SR)

A form of call routing that may or may not be applicable to the Company's E9-1-1 that routes an E9-1-1 call from a central office to the designated primary PSAP based upon the identified number of the calling party (other factors may be used to determine the call routing in addition to the calling party's number). (See "Call Routing Device")

Selective Transfer

A feature providing persons at the PSAP the ability to transfer an incoming call to another agency by depressing a single button labeled with the type of agency, e.g., "Fire", on the Display and Transfer Unit. This type of transfer is only available when the SR feature is provided.

SECTION 2 . RULES AND REGULATIONS

2.1. Company Liability and Indemnification

1. Limitations on Company Liability

   The Company's liability for any loss or damage arising from errors, interruptions, defects, failures, delays, or malfunctions of any service, equipment, or any part thereof provided pursuant to this Tariff or ICB, whether caused by the negligence of the Company or otherwise, except gross negligence, shall not exceed the greater of $50.00 or an amount equivalent to the pro rata charges for the service or equipment affected during the period of time that the service or equipment was fully or partially inoperative.

2. Release and Indemnification / Intellectual Property

   a. The customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss, claims, demands, suits or other action; or any liability whatsoever, whether suffered, made, instituted or asserted by the customer or by any other party or person, for any personal injury to or death of any person or persons, or for any loss, damage or destruction of any property, whether owned by the customer or others, caused in whole or part by the act or omissions of the Company, its agents and its employees. Unless otherwise provided for by an ICB, title to all facilities and intellectual property provided in accordance with this tariff remains in the Company, its partners, agents, contractors, or suppliers. The Company is not obligated to compensate, defend, or indemnify the Customer or any other person for alleged or adjudicated claims of infringement by third parties for any services offered, or for any licensing or court costs related thereto.

   b. The Company will not be liable for any direct, indirect, incidental, special, consequential, exemplary or punitive damages to Customer as a result of any Company service, equipment or facilities, or the acts or omissions or negligence of the Company's employees or agents.

   c. The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government or any state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lock-outs, work stoppages, or other labor difficulties when it does not involve the Company's employees.

3. THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS

SECTION 2. RULES AND REGULATIONS, CONTINUED

FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

4. Invasions of Privacy

   a. The customer agrees to release, indemnify, and hold harmless the Company for any infringement or invasion of the right of privacy of any person or persons, caused or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of any service features and the equipment associated therewith provided pursuant to this Tariff, or by any services furnished by the Company in connection therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by persons accessing 9-1-1 service hereunder, and which arises out of the negligence or other wrongful act of the Company, except gross negligence, or the employees or agents of any one of them. Notwithstanding the foregoing, such indemnification does not apply to Company's use of customer data for any purpose other than the provision of 9-1-1 services.

   b. The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, or allegations of infringement of patent or copyright arising from the Customer's own communications.

2.2. General Terms and Conditions

1. Term of Service; Termination.

   The Company and each customer may enter into a separate agreement specifying the term during which the Company shall provide Services.

2. Payments; Late Fees

   Payment for Services provided by the Company shall be due in accordance with the terms and conditions of each customer's contract. Customer agrees to pay a late fee in accordance with the terms and conditions of each customer's contract, but in no event to exceed the late fees which may be charged to customer under the laws of the State of Missouri.

SECTION 2. RULES AND REGULATIONS, CONTINUED

3. Attorneys' Fees

The Company and each customer may enter into a separate agreement specifying that if any dispute in connection with the provision of Services to customer is submitted to a court, arbitrator, tribunal or other appropriate entity, then all costs and expenses of the parties (including reasonable attorneys' fees) will be paid by the party against whom a determination by such court, arbitrator, tribunal or entity is made, or, in the absence of a determination, wholly against one party, as such court, arbitrator, tribunal or entity directs.

2.3. Notices and Communications

1. The Customer shall designate the address to which the Company shall mail or deliver all notices and other communications, except that the Customer may also designate a separate address to which Company bills for service shall be mailed. The Company shall designate an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2. Except as otherwise stated in this tariff, or an ICB, all notices or other communications required to be given pursuant to this tariff, or an ICB, or the Agreement for Services will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

3. The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein, or as may be required in an ICB.

SECTION 3. SERVICE OFFERINGS AND FEATURES

3.1. Description of Services

1. Enhanced Universal Emergency Number Service (E9-1-1 Service)

a. Enhanced Emergency Number Service, also referred to as E9-1-1, is a telephone communication service whereby one or more Public Safety Answering Points (PSAP) designated by the local 9-1-1 authority may receive telephone calls dialed to the telephone number 9-1-1. Traditional E9-1-1 Service has typically included lines and equipment within one telephone company exchange and/or area served by a Mobile Telephone Switching Office, which could be connected to lines and equipment in another telephone company exchange to permit answering, transferring and dispatching of public emergency telephone 9-1-1 calls originated by persons within the same serving area.

However, E9-1-1 Service may become more decentralized insofar that no single company may provide all of the E9-1-1 hardware, software, or features. The use of twisted pair telephone "lines" is becoming obsolete, replaced by broadband IP connectivity via cable or DSL or other dedicated IP networks. The Company anticipates that different companies shall provide the IP E9-1-1 infrastructure, while other companies provide the E9-1-1 content, features, and functions. This tariff identifies the rules, regulations, and prices that shall govern the Company's offering of the E9-1-1 features and functions.

b. Enhanced 9-1-1 Service is offered subject to availability of IP broadband facilities.

c. The E9-1-1 customer may be:

(1) A municipality or other state or local governmental unit, or an authorized agent of one or more municipalities or other state or local governmental units to whom authority has been lawfully delegated. The customer must be legally authorized to subscribe to the service and have public safety responsibility by law to respond to telephone calls from the public for emergency police, fire or other emergency services within the telephone areas arranged for 9-1-1 calling.

(2) A private telecommunications provider of LEC, CLEC, wireless, or VoIP service with an obligation to route emergency 9-1-1 calls to the appropriate PSAP.

(3) A private enterprise with a PBX telephone system with a desire and appropriate state and/or federal authority to route emergency calls to the appropriate PSAP.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

2. Private Switch/Automatic Location Identification Service

   The Private Branch Exchange (PBX) switch located on a customer's premises sends Automatic Number Identification information to an Enhanced 9-1-1 (E9-1-1) Control Office or the Company's E9-1-1 Call Routing Device from individual PBX stations for the purpose of providing site or station location information on an E9-1-1 call, or for selectively routing that call to the appropriate Public Safety Answering Point (PSAP). A PS/Location Database also is available to Centrex/CENTRON or VoIP enterprise customers who wish to provide the E9-1-1 system with more specific location and routing information. These are the only intended uses for this service.

3. E9-1-1 Call Routing Device Service

   The E9-1-1 Call Routing Device service will connect local telecommunications or VoIP switches via IP and will route the calls to one or more PSAPs via IP or circuit switched technology as required by the PSAP.

4. Location Database Service

   The Company Location Database will provide the 9-1-1- caller's name, address, phone number, and location (if available) to the PSAP via IP simultaneously with the voice call as it is routed via the IP Call Routing Device. As other content becomes available, the Company will provide such content. For legacy PSAPs with traditional ALI requirements, the Company will provide appropriate connectivity to the Company Location Database. The Company will provide access for authorized users to update Location Database data.

5. Terms and Conditions

   a. These services are limited to the use of the central office, VoIP, or mobile telephone switching office telephone number, 9-1-1, as the universal emergency telephone number. The Company does not provide the telephone number or dial tone. These services will be provided by the telecommunications carrier.

   b. The 9-1-1 emergency telephone number is not intended as a replacement for the telephone service of the various public safety agencies which participate in the use of this number. The public safety agencies will subscribe to other telephone services as provided in other tariffs/price lists of other providers.

   c. E9-1-1 Service is furnished to the customer only for the purpose of receiving reports from the public of emergencies or similar events appropriate for action by a PSAP.

   d. E9-1-1 Service provides a one-way incoming service to the appropriate PSAP. Outgoing calls can only be made on a transfer basis or to reconnect a disconnected incoming 9-1-1 call.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

e. E9-1-1 Service is provided solely for the benefit of the customer operating the PSAP, or for the carrier providing telecommunications or data communications service to individuals. The provision of the E9-1-1 Service by the Company shall not be interpreted, construed, or regarded, either expressly or implied, as being for the benefit of or creating any Company obligation toward any third person or legal entity other than the customer(s). The Company does undertake to provide E9-1-1 services using facilities obtained by the PSAP to enable the PSAPs personnel to respond to emergency calls on the PSAPs premises. The PSAP is responsible for the provision and maintenance of cable and wire facilities on the PSAPs side of the Demarcation Point.

f. Temporary suspension of service at reduced rate is not provided for any part of the E9-1-1 Service.

g. E9-1-1 information consisting of the names, addresses, and telephone numbers of telephone customers of carriers using Company service is confidential. This information will be provided via Location Database data on a call-by-call basis only for the purpose of responding to emergency calls.

h. The E9-1-1 calling party forfeits the privacy afforded by non-listed and non-published service to the extent that the telephone number, address, and name associated with the originating station location are furnished to the PSAP.

i. Default Routing will be provided in lieu of Selective Routing and ANI/ALI Display for E9-1-1 systems served from central offices or mobile telephone switching offices not equipped to transmit ANI.

j. The rates charged for E9-1-1 Service do not contemplate the inspection or 100 percent constant monitoring of facilities to discover errors, defects, and malfunctions in the service, nor does the Company undertake such responsibility. The customer shall make such operational tests as, in the judgment of the customer(s), are required to determine whether the system is functioning properly for its use. The customer(s) shall notify the Company promptly in the event the system is not functioning properly.

l. It is the obligation of the E9-1-1 authority to make arrangements to handle all E9-1-1 calls that originate from telephones served by central offices in the local service area, whether or not the calling telephone is situated on property within the geographical boundaries of the E9-1-1 authority's public safety jurisdiction.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

m. Applications for E9-1-1 Service must be executed in writing by each PSAP or 9-1-1 authority. If application for service is made by an agent, the Company must be provided in writing with satisfactory proof of appointment of the agent by the customer.

n. The PSAP or 9-1-1 authority is required to furnish the Company its agreement to the following terms and conditions. The PSAP or 9-1-1 authority will subscribe to or provide telephone equipment with a capacity adequate to handle the number of incoming E9-1-1 calls recommended by the Company. The PSAP or 9-1-1 authority is to insure that PSAP premises equipment selected to operate E9-1-1 system features is compatible with the service furnished by the Company. The PSAP or 9-1-1 authority is responsible for the provision and maintenance of cable and wire facilities on the 9-1-1 authority's side of the Demarcation Point.

o. When the Selective Routing (or comparable) feature is provided, PSAP is responsible for identifying primary and secondary PSAP locations and the unique combinations of police, fire and ambulance or any other appropriate agencies responsible for providing emergency service. The PSAP is responsible for identifying the E9-1-1 serving area and for associating the Company-provided Emergency Service Numbers with the street address ranges or other criteria for selective routing of calls. Legacy ESNs may be used. ESNs will be carried in the Data Management System (DMS) or equivalent to permit routing of 9-1-1 calls to the primary and secondary PSAPs responsible for handling of calls from each telephone in the E9-1-1 serving area. The following terms define the 9-1-1 authority's responsibility in providing this information.

(1) Initial and subsequent ESN assignments by street name, address range and area or other mutually agreed upon routing criteria shall be furnished by the 9-1-1 authority to the Company prior to the effective date of service. If the PSAP has legacy ESNs assigned by previous E9-1-1 service providers, these ESNs may be retained if the PSAP prefers.

(2) After establishment of service, it is the PSAP's responsibility to continue to verify the accuracy of routing information contained in the address file and to advise the Company of any changes in street names, establishment of new streets, changes in address numbers used on existing streets, closing and abandonment of streets, changes in police, fire, ambulance or other appropriate agencies, jurisdiction over any address, annexations and other changes in municipal and county boundaries, incorporation of new cities or any other matter that will affect the routing of E9-1-1 calls to the proper PSAP.

(3) The Company will provide; with reasonable frequency to the 9-1-1 authority, upon request a complete electronic copy of the address file previously supplied to the Company by the 9-1-1 authority to permit the 9-1-1 authority to verify accuracy of the police, fire, and ambulance PSAP routing designation.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

(4) Changes, deletions, and additions which the PSAP desires to have made in the address file should be submitted on an "as occurred" basis.

(5) The Company will furnish an electronic copy to the 9-1-1 authority for verifications showing each change, deletion, and addition to the address file.

3.2. Private Switch/Location Database Service

1. Terms and Conditions

a. Private Switch/ Automatic Location Identification

(1) In a Private Switch/Location Database service application, the Private Branch Exchange (PBX) owner/operator (or Centrex/similar service customer) must meet the following requirements: Application for Private Switch/Location Database Service must be executed in writing by each PBX customer. If application for service is made by an agent, the Company must be provided in writing with satisfactory proof of appointment of the agent by the customer.

(2) The customer will coordinate with the E9-1-1 Public Jurisdiction to ensure that area boundaries are identified and that any required additions or modifications to the Master Location Validation System are provided to the Company.

(3) The customer will provide full local Automatic Number Identification (ANI) for every station within the PBX. The information must be approved by the Company prior to implementation to ensure that no conflict exists between the PBX's numbering plan and the numbering plans of other PBXs or telecommunications carriers.

(4) ANI multi-frequency signaling must conform to the specifications established by the Company.

(5) The customer must create, maintain and forward to the Company, current telephone number and address data in the format and time intervals negotiated between the Company and the customer.

(6) The PBX must be connected to the E9-1-1 Call Routing Device office via IP circuits. The PBX must route 9-1-1 calls to the IP 9-1-1 facilities without overflowing to any other access facility. The Company recommends the enterprise customer order or maintains diverse IP connectivity to provide redundancy to the system.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

(7) The enterprise customer must develop and implement procedures to prevent the unauthorized or illegal use of Private Switch/Location Database trunks. These dedicated trunks may not be used for any purpose other than 9-1-1.

(8) The customer must use personal computer hardware and software (or PC equivalent hardware and software) for ongoing customer record update programs and processes that conform to specifications established by the Company.

b. Diversification and Redundancy

Customers can request diversification and redundancy of any or all IP facility routes. These IP facilities shall be provided by the appropriate ISP selected by the customer(s). Additional charges for such service utilizing the facilities, or the construction and provisioning thereof, will be the responsibility of the customer and will be assessed by the ISP.

3.3. E9-1-1 Trunks

1. E9-1-1 Trunks are high speed broadband IP or equivalent data-only circuits which:

   a. Originate from the Company Call Routing Device and terminate at PSAP premises demarcation; or

   b. Originate from the local exchange carrier end office (LEC or CLEC) and terminate at the Company E9-1-1 Call Routing Device; or

   c. Originate from the mobile telephone switching office and terminate at the Company E9-1-1 Call Routing Device; or

   d. Originate from any VoIP Service Provider softswitch and terminate at the Company E9-1-1 Call Routing Device; or

   e. Originate from any enterprise VoIP PBX softswitch and terminate at the Company E9-1-1 Call Routing Device; or

   f. Originate from any Emergency Services Gateway and terminate at the Company E9-1-1 Call Routing Device

2. The E9-1-1 Trunks are provided for the purpose of transporting only E9-1-1 traffic information.

3. E9-1-1 traffic from various enterprises, LECs, CLECs, mobile switching centers, and/or ESGWs may be combined on a single IP circuit.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

3.4. E9-1-1 Call Routing Device

The E9-1-1 Call Routing Device will be able to provide two services:

1. Aggregation

   The Call Routing Device can aggregate E9-1-1 calls originating from multiple sources in multiple 9-1-1 jurisdictions into IP circuits that terminate at the appropriate PSAPs demarcation point. The PSAP does not need to designate or arrange for the connectivity between the local telecommunications carrier(s) to the Call Routing Device, or from the Call Routing Device to the customer premises demarcation point. The PSAP or 9-1-1 authority is obligated to acquire connectivity to the IP network.

2. Alternate Routing

   It is the customer's responsibility to designate the alternate location if traffic is to be routed to a secondary PSAP.

3.5. Automatic Number Identification (ANI)

Automatic Number Identification (ANI) is the feature by which the telephone number or other related routing (pANI) number associated with an inbound 9 -1-1 caller is received by the Company and passed on to the proper PSAP. The ANI is also used to determine the proper PSAP to receive the inbound call.

3.6. ALI Management Service

1. MSAG Management

   The Company provides a data management and administration tool that automates the viewing and communication of updates, insertions, and deletions to the MSAG database.

2. MSAG Build Services

   The Company acts as the facilitator with the addressing authority in the creation and maintenance of the MSAG utilizing recognized National Emergency Number Association (NENA) standards.

3. Subscriber Record Management

   Subscriber Record Management is the collection of service order records from Telephone Service Providers (TSPs), validation of those records against the MSAG, and storage of the records for the generation of the ALI database.

SECTION 3. SERVICE OFFERINGS AND FEATURES, CONTINUED

4. ALI Database Updates

   After processing and validating subscriber record updates, the Company posts ALI records for call routing and for retrieval and display by the PSAP during 9-1-1 calls.

5. ANI/ALI Discrepancy Resolution

   An ANI/ALI discrepancy occurs when an ALI record delivered to a PSAP does not match the information of the caller. The Company will investigate ANI/ALI discrepancy reports and refer each discrepancy to the respective TSP for resolution.

SECTION 4. RATES, CHARGES, AND CONDITIONS OF SERVICE

	Tariff Price	Tariff Price
Feature	**Non-Recurring Fee**	**Recurring Fee**
Private Switch/Automatic Location Identification Service	ICB	ICB
E911 Call Routing Device Service	ICB	ICB
Selective Routing (data)	ICB	ICB
Location Database Service	ICB	ICB
Master Location Validation System Management	ICB	ICB
Administer Pseudo ANI (per record)	ICB	ICB
E911 Trunks	ICB	ICB
Automatic Number Identification (ANI)	ICB	ICB
ALI Management Service	ICB	ICB

4.1. Rates By Individual Contract Basis (ICB)

In lieu of the rates otherwise set forth in this tariff, rates and charges, including minimum usage, installation, and recurring charges for the Company's services may be established at negotiated rates on an individual contract basis (ICB), taking into account the nature of the facilities and services, the costs of construction and operation, the volume of traffic, the length of service commitment by the Customer, and use of facilities by other customers. Such arrangements shall be considered Special Pricing Arrangements, the terms of which will be set forth in individual Customer contracts. However, unless otherwise specified, the terms, conditions, obligation and regulation set forth in this tariff shall be incorporated into, and become a part of, said contract, and shall be binding on the Company and the Customer. Specialized rates or charges will be made available to similarly situated customers on a non-discriminatory basis. The Company reserves the right to protection from public disclosure of proprietary information contained in such contracts as allowed under law.

In addition to the charges specifically for the customer's services, there may be additional surcharges as mandated by the Missouri Public Service Commission, other Missouri authorities, and / or the Federal Communications Commission. The customer is hereby notified that these fees, as applicable, will be added to the customer's bill and that the rates may change periodically. No prior notice of any change will be provided to the customer. The then-current surcharge rate will be applied to the customer's bill even if this tariff has not been updated.

SECTION 4. RATES, CHARGES, AND CONDITIONS OF SERVICE, CONTINUED

4.2. Application for Service

1. Requests for this service:

   a. can only be initiated by a 9-1-1 customer, a PSAP, or authorized state agency;

   b. must be provided to the Company in writing; and

   c. must identify service locations and arrangements.

2. Customer Obligations

   a. The Customer is responsible for making proper application for service; placing any necessary order, complying with tariff regulations; and payment of charges for services provided.

   b. Specific Customer responsibilities include, but are not limited to the following:

      (1) the payment of all applicable charges pursuant to this tariff or an ICB;

      (2) damage to or loss of Company facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer, with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the negligence or willful misconduct of the employees or agents of the Company;

      (3) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment space and power to operate Company facilities and equipment installed on the premises of the Customer, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;

      (4) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of communications cable and associated equipment used to provide services to the Customer from the cable building entrance or property line to the location of the equipment space described herein;

      (5) any and all costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer (the Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service);

SECTION 4. RATES, CHARGES, AND CONDITIONS OF SERVICE, CONTINUED

(6) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining Company facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company opinion, injury or damage to Company employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. asbestos) prior to any construction or installation work;

(7) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under this tariff, and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company; and

(8) not creating, or allowing to be placed, any liens or other encumbrances on Company equipment or facilities.

c. Customer will comply with all applicable provisions of this tariff and/or an ICB.

d. The telecommunications service provider will create, maintain, and forward to the Company current telephone number(s) and address data according to the format and procedures specified by the Company.

e. The PSAP must develop and implement procedures to prevent the unauthorized or illegal use of Company Next Gen 9-1-1 services. These dedicated facilities may not be used for any purpose other than for 9-1-1 service.

f. The PSAP must use computer hardware and software for ongoing Private Switch End User (PSEU) record update programs and processes that conform to the specifications outlined by the Company.

g. PS/ALI Service information consisting of the name, address, and telephone number of PSEUs is confidential. The 9-1-1 customer agrees to use such information only for the purpose of responding to emergency calls.

h. The PSEU forfeits the privacy afforded by non-listed and non-published service to the extent that the telephone number, the address, and name associated with the originating station location are furnished to the PSAP and to the Company. The PSEU (published and non-published) consents to the storage and retention of PSEU name, telephone number, and address in the data base and also consents to access to this information by the PSAP for the sole purpose of responding to an emergency call.

SECTION 4. RATES, CHARGES, AND CONDITIONS OF SERVICE, CONTINUED

i. Cancellation of the service in whole or in part by the 9-1-1 customer prior to establishment thereof, will require payment to the Company of an amount equal to the cost of engineering, manufacturers' billings resulting from equipment orders, installation, assembly, labor, cost of removal and any other costs incurred by the Company up to the time of cancellation resulting from the 9-1-1 customer's order for service. This requirement may be superseded by an explicit Cancellation Clause in the ICB contract with the customer.

j. Temporary suspension of service at the request of the customer, either partial or complete, is not applicable.

4.3. Contracts

Due to the special and limited nature of the services offered by the Company, all services not defined in this tariff and/or as required by the customer will be provided for in an ICB between the Company and the customer.

4.4. Special Information Required on Forms

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, any special information required of the customer will be provided for in an ICB between the Company and the customer.

4.5. Establishment and Reestablishment of Credit

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all credit requirements of the customer will be provided for in an ICB between the Company and the customer.

4.6. Deposits

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all deposit requirements of the customer will be provided for in an ICB between the Company and the customer.

4.7. Notices in ICB

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all notice requirements between the customer and the Company may also be provided for in an ICB between the Company and the customer.

4.8. Issuance and Payment of Bills

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all billing procedures between the customer and the

SECTION 4. RATES, CHARGES, AND CONDITIONS OF SERVICE, CONTINUED

Company will be provided for in an ICB between the Company and the customer.

4.9. Discontinuance and Restoration of Service

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all terms and conditions for the discontinuance and/or restoration of service will be provided for in an ICB between the Company and the customer.

4.10. Information on Services and Promotional Offerings

Due to the special and limited nature of the services offered by the Company, the requirement that the customer be a carrier or a governmental agency, the Company does not anticipate that it will offer any promotional offerings.

4.11. Temporary Service

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all temporary service needs between the customer and the Company will be provided for in an ICB between the Company and the customer.

4.12. Continuity of Service

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all determinations of interruptions of service, notice to the customer, and apportionment of available services between the customer and the Company will be provided for in an ICB between the Company and the customer.

4.13. Extension of Lines and Mains

Not applicable to the Company.

4.14. Facilities on Customers' Premises and Service Connections

Due to the special and limited nature of the services offered by the Company, and the requirement that the customer be a carrier or a governmental agency, all procedures regarding the installation of the services, and the respective rights of the Company and the customer regarding access to the customer's premises will be provided for in an ICB between the Company and the customer.

SECTION 5. SERVICE AREAS

5.1. Service Areas

NextGen proposes to provide service in the entire State of Missouri.