

KEMPER Corp
Form S-4/A
April 24, 2018
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As filed with the Securities and Exchange Commission on April 24, 2018

Registration No. 333-224144

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Kemper Corporation
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6331
(Primary Standard Industrial
Classification Code Number)

95-4255452
(I.R.S. Employer
Identification Number)

One East Wacker Drive, Chicago, Illinois 60601

(312) 661-4600

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

C. Thomas Evans, Jr.

Senior Vice President, Secretary and General Counsel

Kemper Corporation

One East Wacker Drive

Chicago, Illinois 60601

(312) 661-4600

(Name, address, including zip code, and telephone number, including area code, of agent for service)

with copies to:

Michael P. Goldman

Samuel J. Simon

James C. Kennedy

Brian J. Fahrney

President and General Counsel

F. Mark Reuter

Sidley Austin LLP

**Infinity Property and Casualty
Corporation**

**Keating Muething & Klekamp
PLL**

One South Dearborn Street

2201 4th Avenue North

One East Fourth Street

Chicago, Illinois 60603

Birmingham, Alabama 35203

Suite 1400

(312) 853-7000

(205) 870-4000

Cincinnati, Ohio 45202

(513) 579-6400

Approximate date of commencement of proposed sale of the securities to the public: As soon as reasonably practicable after the effectiveness of this Registration Statement and the completion of the merger described in the enclosed joint proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until

this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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Information contained in this joint proxy statement/prospectus is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be offered or sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED APRIL 24, 2018

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Stockholders:

Kemper Corporation (*Kemper*) and Infinity Property and Casualty Corporation (*Infinity*) have entered into an Agreement and Plan of Merger, dated as of February 13, 2018 (as amended from time to time, the *Merger Agreement*), providing, among other things, that, upon the terms and subject to the conditions set forth in the Merger Agreement, a wholly owned subsidiary of Kemper will merge with and into Infinity, with Infinity surviving the Merger as a wholly owned subsidiary of Kemper (the *Merger*).

If the Merger is completed, each share of Infinity common stock, no par value per share (*Infinity common stock*), outstanding as of immediately prior to the effective time of the Merger (other than shares owned by Kemper or any of its wholly owned subsidiaries or Infinity or any of its subsidiaries and shares held by any holder of Infinity common stock who is entitled to demand and properly demands appraisal of such shares under Ohio law) will be cancelled and extinguished and automatically converted into, at the election of the holder of such share, subject to proration and adjustment as described in the Merger Agreement, either (i) mixed consideration consisting of \$51.60 in cash, without interest and subject to any required withholding of taxes, and 1.2019 shares of Kemper common stock, par value \$0.01 per share (*Kemper common stock*), (ii) cash consideration consisting of \$129.00, without interest and subject to any required withholding of taxes or (iii) stock consideration consisting of 2.0031 shares of Kemper common stock. Holders of Infinity common stock who do not make an election will receive the mixed consideration described in (i) above.

Based on the number of shares of Infinity common stock outstanding on April 20, 2018, the record date for the special meeting of Infinity shareholders (the *Infinity special meeting*), Kemper expects to issue or reserve for issuance approximately 13.2 million shares of Kemper common stock pursuant to the Merger Agreement (including shares of Kemper common stock issuable to Infinity shareholders and shares of Kemper common stock issuable pursuant to the vesting and/or conversion of Infinity's equity-based incentive awards). Based on this number and the number of shares of Kemper common stock outstanding on April 16, 2018, the record date for the annual meeting of Kemper stockholders (the *Kemper annual meeting*), upon the closing, pre-existing Kemper stockholders and former Infinity shareholders would own approximately 80% and 20% of the outstanding shares of Kemper common stock,

respectively.

Kemper common stock is traded on the New York Stock Exchange (*NYSE*) under the trading symbol *KMPR*. On [], 2018, Kemper common stock closed at \$[] per share as reported by the NYSE.

Infinity common stock is traded on the NASDAQ Stock Market (*NASDAQ*) under the trading symbol *IPCC*. On [], 2018, Infinity common stock closed at \$[] per share as reported by the NASDAQ.

The closing is subject to certain conditions, including Kemper stockholders approving a proposal to approve the issuance of shares of Kemper common stock to Infinity shareholders in the Merger (the *share issuance proposal*) and Infinity shareholders approving a proposal to adopt the Merger Agreement (the *merger proposal*). Approval of the share issuance proposal by Kemper stockholders requires the affirmative vote of a majority of votes cast at the Kemper annual meeting with respect to the share issuance proposal, provided that a quorum is present. Approval of the merger proposal by Infinity shareholders requires the affirmative vote of shareholders entitled to exercise a majority of the voting power of Infinity.

At the Kemper annual meeting, Kemper stockholders will be asked to vote on (i) the share issuance proposal, (ii) a proposal to adjourn the Kemper annual meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the share issuance proposal if there are insufficient votes at the time of the Kemper annual meeting or any adjournment or postponement thereof (the *Kemper meeting adjournment proposal*), (iii) a proposal to elect the director nominees named in this joint proxy statement/prospectus,

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(iv) a non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018, (v) a non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus and (vi) any other business as may be properly brought before the Kemper annual meeting.

The Kemper board of directors unanimously recommends that holders of Kemper common stock vote (i) FOR the share issuance proposal, (ii) FOR the Kemper meeting adjournment proposal, (iii) FOR the election of each of the director nominees named in this joint proxy statement/prospectus, (iv) FOR the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (v) FOR the non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus.

At the Infinity special meeting, Infinity shareholders will be asked to vote on (i) the merger proposal, (ii) a proposal to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to Infinity's named executive officers that is based on or otherwise relates to the Merger contemplated by the Merger Agreement (the *non-binding compensation advisory proposal*) and (iii) a proposal to adjourn the Infinity special meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the merger proposal if there are insufficient votes at the time of the Infinity special meeting or any adjournment or postponement thereof (the *Infinity meeting adjournment proposal*).

The Infinity board of directors unanimously recommends that holders of Infinity common stock vote (i) FOR the merger proposal, (ii) FOR the non-binding compensation advisory proposal and (iii) FOR the Infinity meeting adjournment proposal.

The proposals are being presented to the Kemper stockholders and Infinity shareholders at the Kemper annual meeting and Infinity special meeting, respectively. The dates, times and places of the meetings are as follows:

For Kemper stockholders:

June 1, 2018, 8:00 a.m. local time,
The Kemper Building, 20th floor

One East Wacker Drive

Chicago, Illinois 60601

For Infinity shareholders:

June 1, 2018, 8:00 a.m. local time,
Infinity Property and Casualty Corporation

2201 4th Avenue North

Birmingham, Alabama 35203

Your vote is very important. Whether or not you plan to attend your company's meeting, please take the time to vote by completing and mailing the enclosed proxy card or, if the option is available to you, by granting your proxy electronically over the Internet or by telephone.

This joint proxy statement/prospectus contains important information about Kemper, Infinity, the Merger Agreement, the proposed Merger, the Kemper annual meeting and the Infinity special meeting. We encourage you to read carefully this joint proxy statement/prospectus before voting, including the section entitled Risk Factors beginning on page 38.

We hope to see you at the Kemper annual meeting and Infinity special meeting, as the case may be, and look forward to a successful closing.

By Order of the Kemper Board of Directors,

Joseph P. Lacher, Jr.
President, Chief Executive Officer and Director
Kemper Corporation

By Order of the Infinity Board of Directors,

James R. Gober
Executive Chairman
Infinity Property and Casualty Corporation

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Neither the Securities and Exchange Commission nor any state or provincial securities regulator has approved or disapproved of the Merger or the other transactions described in this joint proxy statement/prospectus or the securities to be issued pursuant to the Merger Agreement or determined if the information contained in this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated April [X], 2018, and is first being mailed to Kemper stockholders and Infinity shareholders on or about April [X], 2018.

ADDITIONAL INFORMATION

The accompanying document is the proxy statement of Infinity for the Infinity special meeting, the proxy statement of Kemper for the Kemper annual meeting and the prospectus of Kemper for the shares of its common stock to be issued in the Merger. The accompanying joint proxy statement/prospectus incorporates by reference important business and financial information about Kemper and Infinity from documents that are not included in or delivered with the accompanying joint proxy statement/prospectus. You can obtain the documents that are incorporated by reference into the accompanying joint proxy statement/prospectus (other than certain exhibits or schedules to those documents), without charge, by requesting them in writing or by telephone from Kemper or Infinity at the following addresses and telephone numbers, or through the Securities and Exchange Commission website at www.sec.gov:

Kemper Corporation	Infinity Property and Casualty Corporation
One East Wacker Drive	2201 4th Avenue North
Chicago, Illinois 60601	Birmingham, Alabama 35203
Attention: Investor Relations	Attention: Investor Relations
Telephone: (312) 661-4930	Telephone: (205) 803-8186

In addition, if you have questions about the proposed Merger or the accompanying joint proxy statement/prospectus, would like additional copies of the accompanying joint proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, please contact Innisfree M&A Incorporated, the proxy solicitor for Kemper, toll-free at (888) 750-5834 or collect at (212) 750-5833, or D.F. King & Co., Inc., the proxy solicitor for Infinity, toll-free at (800) 706-3274. You will not be charged for any of these documents that you request.

To obtain timely delivery of the documents, you must request them no later than five business days before the date of the Kemper annual meeting or Infinity special meeting, as applicable. Therefore, if you would like to request documents from Kemper, please do so by May 24, 2018 in order to receive them before the Kemper annual meeting. If you would like to request documents from Infinity, please do so by May 24, 2018, in order to receive them before the Infinity special meeting.

See **Where You Can Find More Information** beginning on page 279 of the accompanying joint proxy statement/prospectus for further information.

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 1, 2018

To the Stockholders of Kemper Corporation (*Kemper*):

Kemper will hold its annual meeting (the *Kemper annual meeting*) of stockholders at The Kemper Building, 20th Floor, One East Wacker Drive, Chicago, Illinois 60601 on June 1, 2018, at 8:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to approve the issuance of shares of Kemper common stock, par value \$0.01 per share (*Kemper common stock*), pursuant to the Agreement and Plan of Merger, dated as of February 13, 2018, by and among Kemper, a wholly owned subsidiary of Kemper and Infinity Property and Casualty Corporation (the *share issuance proposal*).
2. To consider and vote upon a proposal to adjourn the Kemper annual meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the share issuance proposal if there are insufficient votes at the time of the Kemper annual meeting or any adjournment or postponement thereof (the *Kemper meeting adjournment proposal*).
3. To elect ten director nominees to the Board of Directors of Kemper (the *Kemper Board*).
4. To consider and vote on a non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018.
5. To consider and vote on a non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus.
6. To consider and act upon such other business as may be properly brought before the Kemper annual meeting.

The Kemper Board has fixed April 16, 2018 as the record date for determining stockholders entitled to receive this notice and to vote at the Kemper annual meeting (the *Kemper record date*). Only Kemper stockholders of record at the close of business on the Kemper record date will be entitled to notice of, and to vote at, the Kemper annual meeting and any adjournments or postponements thereof. A list of registered Kemper stockholders entitled to vote at the Kemper annual meeting will be available for inspection during ordinary business hours at the executive offices of Kemper at One East Wacker Drive, Chicago, Illinois 60601 at least ten (10) days prior to the Kemper annual meeting.

The Kemper Board unanimously recommends that you vote (i) FOR the share issuance proposal, (ii) FOR the Kemper meeting adjournment proposal, (iii) FOR the election of each of the director nominees named in this joint proxy statement/prospectus, (iv) FOR the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (v) FOR the non-binding advisory proposal to approve the compensation of Kemper's named executive officers.

Your vote is very important. We cannot complete the merger described in this joint proxy statement/prospectus unless we receive the affirmative vote in favor of the share issuance proposal by the holders of at least a majority of the votes cast at the Kemper annual meeting, provided that a quorum is present. **Under the current rules and interpretive guidance of the New York Stock Exchange, if you abstain from voting with respect to the share issuance proposal, it will have the same effect as a vote AGAINST the share issuance proposal.** The failure of a Kemper stockholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of

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record or any other failure of a Kemper stockholder to vote will have no effect on the approval of the share issuance proposal.

It is important that your shares be represented and voted whether or not you plan to attend the Kemper annual meeting in person. Instructions regarding the different methods for voting your shares are provided under the section entitled Questions and Answers About the Kemper Annual Meeting and Infinity Special Meeting.

By Order of the Board of Directors,

C. Thomas Evans, Jr.
Secretary

April [X], 2018

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 1, 2018

To the Shareholders of Infinity Property and Casualty Corporation (*Infinity*):

Infinity will hold a special meeting (the *Infinity special meeting*) of holders of Infinity common stock, no par value per share (*Infinity common stock*) at Infinity Property and Casualty Corporation, located at 2201 4th Avenue North, Birmingham, Alabama 35203, on June 1, 2018, at 8:00 a.m. local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of February 13, 2018 (as amended from time to time, the *Merger Agreement*), by and among Kemper Corporation (*Kemper*), a wholly owned subsidiary of Kemper and Infinity (the *merger proposal*).
2. To consider and vote on a proposal to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to Infinity's named executive officers that is based on or otherwise relates to the merger contemplated by the Merger Agreement (the *non-binding compensation advisory proposal*).
3. To consider and vote upon a proposal to adjourn the Infinity special meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the merger proposal if there are insufficient votes at the time of the Infinity special meeting or any adjournment or postponement thereof (the *Infinity meeting adjournment proposal*).

The board of directors of Infinity (the *Infinity Board*) has fixed the close of business on April 20, 2018 as the record date for determining shareholders entitled to receive this notice and to vote at the Infinity special meeting (the *Infinity record date*). Only Infinity shareholders of record at the close of business on the Infinity record date will be entitled to notice of, and to vote at, the Infinity special meeting and any adjournments or postponements thereof. A list of registered Infinity shareholders entitled to vote at the Infinity special meeting will be available for inspection during ordinary business hours at the executive offices of Infinity at 2201 4th Avenue North, Birmingham, Alabama 35203 at least ten (10) days prior to the Infinity special meeting.

The Infinity Board unanimously recommends that holders of Infinity common stock vote FOR the merger proposal, FOR the non-binding compensation advisory proposal and FOR the Infinity meeting adjournment proposal.

Your vote is very important. We cannot complete the merger described in this joint proxy statement/prospectus unless the merger proposal receives the affirmative vote of Infinity shareholders entitled to exercise a majority of the voting power of Infinity. **If you abstain from voting, fail to give voting instructions to a bank, broker, trust or other nominee holder of record if you hold your shares in street name through such bank, broker, trust or other nominee holder of record, or if you otherwise fail to vote, it will have the same effect as voting AGAINST the merger proposal.** It is important that your shares be represented and voted whether or not you plan to attend the Infinity special meeting in person. Instructions regarding the different methods for voting your shares are provided

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under the section entitled Questions and Answers About the Kemper Annual Meeting and Infinity Special Meeting.

By Order of the Board of Directors,

James H. Romaker
Secretary

April [X], 2018

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains certain statements regarding intentions, beliefs and expectations or predictions for the future of Kemper Corporation (*Kemper*) and Infinity Property and Casualty Corporation (*Infinity*), and collectively with Kemper, *we*, *us*, and *our*), which are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the *Securities Act*), and Section 21E of the Securities Exchange Act of 1934, as amended (the *Exchange Act*). Forward-looking statements give expectations, intentions, beliefs or forecasts of future events or otherwise, and can be identified by the fact that they relate to future actions, performance or results rather than relating strictly to historical or current facts. Words such as believe(s), goal(s), target(s), estimate(s), anticipate(s), forecast(s), project(s), plan(s), intend(s), expect(s), might, may, variations of such words and other words and expressions of similar meaning are intended to identify such forward-looking statements. However, the absence of such words or other words and expressions of similar meaning does not mean that a statement is not forward-looking.

Any or all forward-looking statements may turn out to be wrong, and, accordingly, readers are cautioned not to place undue reliance on such statements. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict and are not guarantees or assurances of future performance. No assurances can be given that the results and financial condition contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. In evaluating these forward-looking statements, you should consider carefully the risks described herein and in other reports that Kemper and Infinity file with the Securities and Exchange Commission (the *SEC*). See *Risk Factors* and *Where You Can Find More Information* beginning on page 279.

With respect to the proposed transaction and the combined company, the risks, uncertainties and other factors that could cause actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, forward-looking statements include, without limitation:

failure of the combined company to realize all of the anticipated benefits of the transactions contemplated by the Merger Agreement (as defined on page 3) at all or in the anticipated timeframe;

changes to the value of the Merger Consideration (as defined on page 14) to be received by Infinity shareholders pursuant to the Merger Agreement as a result of changes in the price of Kemper common stock;

failure of the combined company to manage its growth;

failure by the combined company to retain and motivate key employees and retain and recruit qualified employees in sufficient numbers;

legal proceedings that may be instituted against Kemper and Infinity following announcement of such proposed Merger (as defined on page 3);

failure to receive regulatory clearances and approvals at all or within anticipated timeframes or the imposition by regulatory authorities of conditions that are not presently anticipated or that cannot be met;

the interests of certain directors and executive officers of Infinity being different from, or in addition to, the interests of Infinity shareholders;

the potential impairment of the goodwill and intangible assets that the combined company will record;

risks relating to the value of the shares of Kemper common stock (as defined on page 3) to be issued in the Merger;

effects on the market price of the common stock of the combined company of factors different from those affecting the market price for shares of Infinity common stock (as defined on page 4) or for shares of Kemper common stock;

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the effect of the Merger Agreement provisions that may discourage other companies from trying to acquire Infinity for a value greater than the Merger Consideration or from trying to acquire Kemper;

the significant transaction and integration costs that Kemper and Infinity will incur in connection with the proposed Merger;

the reduction of the percentage ownership interests of pre-existing Kemper stockholders due to the issuance of shares of Kemper common stock to Infinity shareholders pursuant to the Merger Agreement;

any failure to complete the proposed Merger could negatively impact the stock prices and future businesses and financial results of Kemper and Infinity;

any negative effects on the market price of Kemper common stock following the Merger if the Merger is not accretive and causes dilution to the combined company's earnings per share; and

other risks detailed from time to time in annual, quarterly and periodic reports filed by Kemper and Infinity with the SEC, whether or not related to the proposed Merger.

YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON ANY FORWARD-LOOKING STATEMENTS, ALL OF WHICH SPEAK ONLY AS OF THE DATE OF THIS JOINT PROXY STATEMENT/PROSPECTUS. KEMPER AND INFINITY UNDERTAKE NO DUTY OR OBLIGATION TO UPDATE OR CORRECT ANY FORWARD-LOOKING STATEMENT AS A RESULT OF EVENTS, CHANGES, EFFECTS, STATES OF FACTS, CONDITIONS, CIRCUMSTANCES, OCCURRENCES OR DEVELOPMENTS SUBSEQUENT TO THE DATE OF THIS JOINT PROXY STATEMENT/PROSPECTUS, EXCEPT AS REQUIRED BY LAW.

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**QUESTIONS AND ANSWERS ABOUT THE KEMPER ANNUAL MEETING
AND INFINITY SPECIAL MEETING**

*The following are some questions that you, as a Kemper stockholder or an Infinity shareholder, may have regarding the annual meeting of Kemper stockholders (the **Kemper annual meeting**) or the special meeting of Infinity shareholders (the **Infinity special meeting**) and brief answers to those questions. For more detailed information about the matters discussed in these questions and answers, see *The Kemper Annual Meeting* and *The Infinity Special Meeting* beginning on pages 46 and 53 of this joint proxy statement/prospectus, respectively. Kemper and Infinity encourage you to read carefully the remainder of this joint proxy statement/prospectus because the information in this section does not provide all of the information that might be important to you with respect to the matters being considered at the Kemper annual meeting or the Infinity special meeting. Additional important information is also contained in the Annexes to, and in the documents incorporated by reference into, this joint proxy statement/prospectus. See *Where You Can Find More Information* beginning on page 279 of this joint proxy statement/prospectus.*

Q: Why am I receiving this joint proxy statement/prospectus?

A: The Kemper board of directors (**Kemper Board**) and Infinity board of directors (**Infinity Board**) are using this joint proxy statement/prospectus to solicit proxies of Kemper stockholders and Infinity shareholders pursuant to the Agreement and Plan of Merger, dated as of February 13, 2018 (as amended from time to time, the **Merger Agreement**), by and among Kemper, a wholly owned subsidiary of Kemper and Infinity. The Merger Agreement provides, among other things, that, upon the terms and subject to the conditions set forth in the Merger Agreement, a wholly owned subsidiary of Kemper will merge with and into Infinity, with Infinity surviving the Merger as a wholly owned subsidiary of Kemper (the **Merger**). The Merger will be effective, after all of the conditions to the closing are satisfied or, to the extent permitted by law, waived, at the time a certificate of merger is duly filed with, and accepted by, the Secretary of State of the State of Ohio or at such later date and time as is agreed upon by Kemper and Infinity and specified in the certificate of merger (such completion or consummation of the Merger, the **closing** or the **effective time**).

In addition, this joint proxy statement/prospectus also serves as a proxy statement for other matters not related to the Merger to be voted on by Kemper stockholders at the Kemper annual meeting. See *The Kemper Annual Meeting* beginning on page 46.

This joint proxy statement/prospectus is also a prospectus for Infinity shareholders because, pursuant to the Merger Agreement, Kemper is offering shares of Kemper common stock, par value \$0.01 per share (**Kemper common stock**) to be issued in exchange for shares of Infinity common stock in the Merger, at the election of Infinity shareholders.

In order to complete the Merger, Kemper stockholders must approve the issuance of new shares of Kemper common stock pursuant to the Merger Agreement (i.e., approve the share issuance proposal as defined below) and Infinity shareholders must adopt the Merger Agreement (i.e., approve the merger proposal as defined below).

This joint proxy statement/prospectus contains important information about the Merger Agreement, the Merger, the Kemper annual meeting and the Infinity special meeting, and you should read it carefully. The enclosed voting materials allow you to vote your shares without attending the Kemper annual meeting or Infinity special meeting in person.

Your vote is important. We encourage you to vote as soon as possible.

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Q: What are Infinity shareholders entitled to receive in the Merger?

A: If the Merger is completed, each share of Infinity common stock, no par value per share (*Infinity common stock*), issued and outstanding as of immediately prior to the effective time (other than shares owned by Kemper or any of its wholly owned subsidiaries or Infinity or any of its subsidiaries and shares held by any holder of Infinity common stock who is entitled to demand and properly demands appraisal of such shares under Ohio law) will be cancelled and converted into, at the election of the holder of such share, subject to proration and adjustment, either (i) *Mixed Consideration* equal to 1.2019 shares of Kemper common stock and \$51.60 in cash, without interest and subject to any required withholding of taxes, (ii) *Cash Consideration* equal to \$129.00, without interest and subject to any required withholding of taxes, which consists of an amount of cash, without interest, consisting of (a) \$51.60 plus (b) the product of 1.2019 multiplied by \$64.40, which was the 20-trading day volume-weighted average price of Kemper common stock on the New York Stock Exchange (*NYSE*) as of February 12, 2018, the day prior to the date of media publications regarding the proposed Merger (the *Fixed Volume-Weighted Average Price*) or (iii) *Stock Consideration* equal to 2.0031 shares of Kemper common stock, consisting of the sum of (a) 1.2019 plus (y) 0.8012, which is the quotient (rounded to four decimal places) of \$51.60 divided by the Fixed Volume-Weighted Average Price (such sum, the *exchange ratio*). Holders of Infinity common stock who do not make an election will receive the Mixed Consideration. The shares of Kemper common stock issuable and cash payable upon conversion of shares of Infinity common stock in the Merger, and cash payable in lieu of the issuance of fractional shares of Kemper common stock, are referred to collectively as the *Merger Consideration*.

Q: When and where will the Kemper annual meeting and Infinity special meeting be held?

A: The Kemper annual meeting will take place on June 1, 2018, at 8:00 a.m. local time, at The Kemper Building, 20th floor, One East Wacker Drive, Chicago, Illinois, 60601.
The Infinity special meeting will take place on June 1, 2018, at 8:00 a.m. local time, at Infinity Property and Casualty Corporation, 2201 4th Avenue North, Birmingham, Alabama 35203.

Q: What are Kemper stockholders voting to approve in connection with the Merger and why is this approval necessary?

A: Kemper stockholders are voting on a proposal to approve the issuance of shares of Kemper common stock pursuant to the Merger Agreement (the *share issuance proposal*). The approval by Kemper stockholders of the share issuance proposal is required by the rules and regulations of the NYSE, and is a condition to the closing. Based on the number of shares of Infinity common stock expected to be outstanding and Infinity equity awards expected to be vested or converted pursuant to the Merger Agreement as of the effective time, Kemper expects to issue up to approximately 13.2 million shares of Kemper common stock in the Merger.

Kemper stockholders are also voting on a proposal to adjourn the Kemper annual meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the share issuance proposal if there are insufficient votes at the time of the Kemper annual meeting or any adjournment or postponement thereof to approve the share issuance proposal (the *Kemper meeting adjournment proposal*). The approval by Kemper stockholders of the Kemper meeting adjournment proposal is not a

condition to the closing.

Q: What other proposals will be presented to Kemper stockholders at the Kemper annual meeting?

A: In addition to the share issuance proposal and Kemper meeting adjournment proposal, Kemper stockholders are voting on the following at the Kemper annual meeting:

a proposal to elect the ten director nominees named in this joint proxy statement/prospectus (the *Nominees*) in the section entitled Proposal 3: Election of Directors beginning on page 68;

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a non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018; and

a non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus.

See The Kemper Annual Meeting beginning on page 46.

Q: What are Infinity shareholders voting to approve at the Infinity special meeting and why is this approval necessary?

A: Infinity shareholders are voting on a proposal to approve the adoption of the Merger Agreement (the *merger proposal*). The approval by Infinity shareholders of the merger proposal is required under Ohio law and Infinity's Amended and Restated Articles of Incorporation, dated as of May 21, 2007 (the *Infinity Articles*), and is a condition to the closing.

Under Section 14A of the Exchange Act, which was enacted as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (*Dodd-Frank*), Infinity is required to provide its shareholders the opportunity to vote to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to Infinity's named executive officers that is based on or otherwise relates to the Merger contemplated by the Merger Agreement. Accordingly, Infinity shareholders are being provided with the opportunity to cast an advisory vote on such payments. The approval by Infinity shareholders of this proposal (the *non-binding compensation advisory proposal*) is not a condition to the closing.

Infinity shareholders are also voting on a proposal to adjourn the Infinity special meeting, for a period no longer than twenty (20) business days in the aggregate, for the absence of a quorum or to allow reasonable additional time to solicit proxies in favor of the merger proposal if there are insufficient votes at the time of the Infinity special meeting or any adjournment or postponement thereof (the *Infinity meeting adjournment proposal*). The approval by Infinity shareholders of the Infinity meeting adjournment proposal is not a condition to the closing.

Q: Why are the Infinity shareholders being asked to consider and vote on the non-binding compensation advisory proposal?

A: The Securities and Exchange Commission (the *SEC*) has adopted rules that require Infinity to seek an advisory, non-binding vote on matters deemed to relate to golden parachute compensation. The non-binding compensation advisory proposal relates to certain golden parachute compensation that will or may be paid by Infinity to its named executive officers as a result of or in connection with the Merger.

Q: What will happen if the non-binding compensation advisory proposal is not approved at the Infinity special meeting?

- A. Approval of the non-binding compensation advisory proposal with respect to certain golden parachute compensation is not a condition to closing. Accordingly, Infinity shareholders may vote against the golden parachute compensation proposal but still vote in favor of the merger proposal. The non-binding compensation advisory proposal vote is an advisory, non-binding vote. If the Merger is completed, the golden parachute compensation described in the non-binding compensation advisory proposal may be paid to Infinity's named executive officers to the extent payable in accordance with the terms of their respective compensation agreements and contractual arrangements, even if Infinity shareholders do not approve the non-binding compensation advisory proposal.

Q: Who can attend and vote at the Kemper annual meeting and Infinity special meeting?

- A: The Kemper Board has fixed April 16, 2018 as the record date (the *Kemper record date*) for determining stockholders entitled to receive notice of, and to vote at, the Kemper annual meeting or any adjournments or

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postponements thereof. Only stockholders of record at the close of business on the Kemper record date for the Kemper annual meeting will be entitled to notice of, and to vote at, the Kemper annual meeting and any adjournments or postponements thereof. As of the Kemper record date, there were 51,536,698 shares of Kemper common stock outstanding and entitled to vote at the Kemper annual meeting, held by approximately 3,400 holders of record. Each holder of Kemper common stock is entitled to one vote for each share of Kemper common stock owned as of the Kemper record date. Please note that participants in the Kemper Corporation 401(k) and Retirement Plan (the **401(k) and Retirement Plan**) cannot vote shares of Kemper common stock held through the 401(k) and Retirement Plan in person at the Kemper annual meeting.

The Infinity Board has fixed April 20, 2018 as the record date (the **Infinity record date**) for determining shareholders entitled to receive notice of and to vote at the Infinity special meeting or any adjournments or postponements thereof. Only shareholders of record at the close of business on the Infinity record date for the Infinity special meeting will be entitled to notice of, and to vote at, the Infinity special meeting and any adjournments or postponements thereof. As of the Infinity record date, there were 10,941,936 shares of Infinity common stock outstanding and entitled to vote at the Infinity special meeting, held by approximately 60 holders of record. Each holder of Infinity common stock is entitled to one vote for each share of Infinity common stock owned as of the Infinity record date.

Q: What vote of Kemper stockholders is required to approve each of the proposals at the Kemper annual meeting?

A: With respect to the election of directors at the Kemper annual meeting, provided a quorum is present, each Nominee will be elected to the Kemper Board by the affirmative vote of a majority of votes cast, meaning that the number of shares voted **FOR** a Nominee exceeds the number of shares voted **AGAINST** a Nominee. Abstentions and broker non-votes are not considered votes cast **FOR** or **AGAINST** the election of Nominees, and will have no effect on the election of Nominees. If a Nominee who is an incumbent director of the Kemper Board receives a greater number of votes **AGAINST** his or her election than votes **FOR** such election, such director must promptly tender his or her resignation to the Kemper Board following certification of the vote with respect to the election of directors.

With respect to (i) the share issuance proposal, (ii) the Kemper meeting adjournment proposal, (iii) the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (iv) the non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus, the affirmative vote of a majority of the votes cast with respect to each proposal will approve such proposal, provided a quorum is present.

Q: How does the Kemper Board recommend that Kemper stockholders vote on each of the proposals at the Kemper annual meeting?

A: The Kemper Board unanimously recommends that Kemper stockholders vote (i) **FOR** the share issuance proposal, (ii) **FOR** the Kemper meeting adjournment proposal, (iii) **FOR** the election of each of the Nominees, (iv) **FOR** the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (v) **FOR** the non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus.

- Q. What will happen if the non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus, is not approved at the Kemper annual meeting?**
- A. The vote by Kemper stockholders on the non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus, is advisory. The

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result of the vote is therefore non-binding on Kemper, the Kemper Board or the Compensation Committee (as described on page 76). However, Kemper's Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements and in evaluating Kemper's executive compensation program.

Q: What vote of Infinity shareholders is required to approve (i) the merger proposal, (ii) the non-binding compensation advisory proposal and (iii) the Infinity meeting adjournment proposal?

A: The approval by Infinity shareholders of the merger proposal requires the affirmative vote of Infinity shareholders entitled to exercise a majority of the voting power of Infinity. The approval of the non-binding compensation advisory proposal and the approval of the Infinity meeting adjournment proposal require, in each case, the affirmative vote of a majority of votes cast on the proposal at the Infinity special meeting, provided that a quorum is present.

Q: How does the Infinity Board recommend that Infinity shareholders vote on each of the proposals at the Infinity special meeting?

A: The Infinity Board unanimously recommends that Infinity shareholders vote (i) **FOR** the merger proposal, (ii) **FOR** the non-binding compensation advisory proposal and (iii) **FOR** the Infinity meeting adjournment proposal.

Q: What should Kemper stockholders and Infinity shareholders do now in order to vote on the proposals being considered at the Kemper annual meeting and Infinity special meeting?

A: Holders of Kemper common stock as of the Kemper record date and holders of Infinity common stock as of the Infinity record date may vote now by proxy by:

completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage-paid envelope;

calling the toll-free number specified on the enclosed proxy card; or

accessing the Internet website specified on the enclosed proxy card.

Both Kemper and Infinity strongly encourage their stockholders and shareholders of record, respectively, to vote using the enclosed proxy card.

If you hold Kemper common stock or Infinity common stock in street name, which means your shares are held of record by a bank, broker, trust or other nominee holder of record, you must provide the record holder of your shares with instructions on how to vote your shares. Please refer to the voting instruction card used by your bank, broker, trust or other nominee holder of record to see if you may submit voting instructions using the Internet or by telephone.

Holders of Kemper common stock or Infinity common stock may also vote in person by attending the Kemper annual meeting or Infinity special meeting, as applicable. If you plan to attend the Kemper annual meeting or Infinity special meeting and wish to vote in person, you will be given a ballot at the applicable meeting. Please note, however, that if your shares are held in street name and you wish to vote in person at your company's meeting, you must bring a legal proxy, executed in your favor, from the record holder of the shares authorizing you to vote at the meeting. For additional information, see *The Kemper Annual Meeting* and *The Infinity Special Meeting* beginning on pages 46 and 53 of this joint proxy statement/prospectus, respectively.

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Whether or not you plan to attend the Kemper annual meeting or Infinity special meeting, you are encouraged to vote your shares by proxy as described in this joint proxy statement/prospectus.

Q: How can I vote the shares of Kemper common stock I hold through the 401(k) and Retirement Plan?

A: Participants in the 401(k) and Retirement Plan, who receive this joint proxy statement/prospectus in their capacity as holders of Kemper common stock through the 401(k) and Retirement Plan, are entitled to vote by one of the following methods:

Complete, sign and date the proxy card and return it by 1:00 a.m. Central Daylight Time on Wednesday, May 30, 2018 (the **401(k) Deadline**);

Call the toll-free number on the proxy card and follow the recorded instructions by the 401(k) Deadline;

Access the proxy voting website identified on the proxy card and follow the instructions by the 401(k) Deadline.

If voting instructions for shares held pursuant to the 401(k) and Retirement Plan are provided prior to the 401(k) Deadline, the plan trustee will confidentially vote such shares in accordance with the voting instructions. In accordance with the terms of the 401(k) and Retirement Plan, if voting instructions for shares held pursuant to the 401(k) and Retirement Plan are not provided prior to the 401(k) Deadline, the plan trustee will vote such shares in the same proportion as all other shares voted in accordance with timely voting instructions provided to the trustee by all other plan participants.

Q: What will happen if I abstain from voting, fail to vote or do not direct how to vote on my proxy?

A: For purposes of the Kemper stockholder proposals:

Approval of the share issuance proposal. Approval of the share issuance proposal requires the affirmative vote of a majority of the votes cast at the Kemper annual meeting with respect to such proposal, provided that a quorum is present. Under the current rules and interpretive guidance of the NYSE, votes cast on the share issuance proposal consist of votes FOR or against, as well as elections to abstain from voting on the share issuance. As a result, a Kemper stockholder's election to abstain from voting on the share issuance proposal will have the same effect as a vote **AGAINST** the approval of the share issuance proposal. The failure of a Kemper stockholder who holds his, hers or its shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record or any other failure of a Kemper stockholder to vote will have no effect on the approval of the share issuance proposal because these failures to vote are not considered votes cast.

Election of Nominees to the Kemper Board. Each Nominee will be elected to the Kemper Board by the affirmative vote of a majority of votes cast at the Kemper annual meeting, provided that a quorum is present. As a result, a Nominee will be elected to the Kemper Board if the number of shares voted FOR such Nominee exceeds the number of shares voted AGAINST such Nominee. For purposes of the election of Nominees to the Kemper Board, a Kemper stockholder's election to abstain from voting, the failure of a Kemper stockholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record or any other failure of a Kemper stockholder to vote will have no effect on the election of Nominees.

Approval of all other proposals at the Kemper annual meeting. Approval of each of (i) the Kemper meeting adjournment proposal, (ii) the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (iii) the

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non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as disclosed in this joint proxy statement/prospectus, requires the affirmative vote of a majority of the votes cast at the Kemper annual meeting with respect to such proposal, provided that a quorum is present. For purposes of these proposals, votes cast means votes FOR or AGAINST the proposal. As a result, a Kemper stockholder's election to abstain from voting, the failure of a Kemper stockholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record or any other failure of a Kemper stockholder to vote will have no effect on the approval of each of these proposals at the Kemper annual meeting.

All properly submitted proxies received by Kemper before the Kemper annual meeting that are not revoked or changed prior to being exercised at the Kemper annual meeting will be voted at the Kemper annual meeting in accordance with the instructions indicated on the proxies or, if no instructions were provided, (i) FOR the share issuance proposal, (ii) FOR the Kemper meeting adjournment proposal, (iii) FOR the election of each of the Nominees, (iv) FOR the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (v) FOR the non-binding advisory proposal to approve the compensation of Kemper's named executive officers.

For purposes of the Infinity shareholder proposals:

Approval of the merger proposal. Approval of the merger proposal requires the affirmative vote of Infinity shareholders entitled to exercise a majority of the voting power of Infinity. Accordingly, an Infinity shareholder's abstention from voting, the failure of an Infinity shareholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record, or any other failure of an Infinity shareholder to vote will have the same effect as a vote **AGAINST** this proposal.

Approval of the non-binding compensation advisory proposal. Approval of the non-binding compensation advisory proposal requires the affirmative vote of a majority of the votes cast at the Infinity special meeting with respect to such proposal, provided that a quorum is present. Accordingly, an Infinity shareholder's abstention from voting, the failure of an Infinity shareholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record or any other failure of an Infinity shareholder to vote will have no effect on the approval of the non-binding compensation advisory proposal as these failures to vote are not considered votes cast with respect to the non-binding compensation advisory proposal.

Approval of the Infinity meeting adjournment proposal. Approval of the Infinity meeting adjournment proposal requires the affirmative vote of a majority of the votes cast at the Infinity special meeting with respect to such proposal, provided that a quorum is present. Accordingly, an Infinity shareholder's abstention from voting, the failure of an Infinity shareholder who holds his or her shares in street name through a bank, broker, trust or other nominee holder of record to give voting instructions to that bank, broker, trust or other nominee holder of record or any other failure of an Infinity shareholder to vote will have no effect on the approval of the Infinity meeting adjournment proposal. In addition, even if a quorum is not present at the special meeting, the affirmative vote of shares representing a majority of the voting power of the shares present in person or represented by proxy or by use of communications equipment at the Infinity special meeting may adjourn the meeting to another place, date or time. In this case, an abstention from voting will

have the same effect as a vote **AGAINST** the proposal to adjourn the meeting due to an absence of a quorum.

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All properly submitted proxies received by Infinity before the Infinity special meeting that are not revoked or changed prior to being exercised at the Infinity special meeting will be voted at the Infinity special meeting in accordance with the instructions indicated on the proxies or, if no instructions were provided, FOR the merger proposal, FOR the non-binding compensation advisory proposal and FOR the Infinity meeting adjournment proposal.

Under the applicable stock exchange rules, matters subject to a stockholder vote are classified as routine or non-routine. In the case of non-routine matters, a bank, broker, trust or other nominee holder of record may not vote shares held in street name for which they have not received instructions from the beneficial owner (referred to as broker non-votes), whereas they may vote those shares in their discretion in the case of any routine matter. The non-binding advisory proposal submitted to Kemper stockholders to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 is a routine matter. All other proposals submitted to Kemper stockholders and Infinity shareholders are non-routine matters. **Accordingly, shares of Kemper common stock or Infinity common stock held in street name by a bank, broker, trust or other nominee holder of record will NOT be voted by such bank, broker, trust or other nominee holder of record on any of the proposals with respect to non-routine matters unless the beneficial owner of such shares has properly instructed such bank, broker, trust or other nominee holder of record how to vote.**

Q: Can I change or revoke my vote after I have delivered my proxy?

A: Yes. If you are a holder of record, you can change your vote at any time before your proxy is voted at the Kemper annual meeting or Infinity special meeting by:

signing and delivering a new, valid proxy bearing a later date and, if it is a written proxy, signed and delivered to the attention of your company's Corporate Secretary;

delivering a signed written notice of revocation to the Corporate Secretary of your company at:

Kemper Corporation
One East Wacker Drive
Chicago, Illinois 60601
Attention: Corporate Secretary

Infinity Property and Casualty Corporation
2201 4th Avenue North
Birmingham, Alabama 35203
Attention: Corporate Secretary

calling the toll-free telephone number, or accessing the proxy voting website, identified on the proxy card and re-voting any time prior to 10:59 p.m., Central Daylight Time, on the last business day preceding the applicable special meeting; or

attending the special meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held through the 401(k) and Retirement Plan, you can change your vote by:

delivering another signed proxy card with a later date anytime prior to the 401(k) Deadline;

calling the toll-free telephone number, or accessing the proxy voting website, identified on the proxy card and re-voting any time prior to the 401(k) Deadline.

If your shares are held in a street name account, you must contact your bank, broker, trust or other nominee to change your vote.

Q: What should Kemper stockholders or Infinity shareholders do if they receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. For example, if you hold your

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shares of Kemper common stock or Infinity common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. In addition, if you are both a Kemper stockholder and an Infinity shareholder, you will receive one or more separate proxy cards or voting instruction cards for each company. In each case, please complete, sign, date and return each proxy card that you receive to ensure that all of your shares are voted.

Q: Who will tabulate the votes for the Kemper annual meeting and Infinity special meeting, and how will Kemper stockholders and Infinity shareholders find out the voting results after the respective meetings?

A: Representatives of Broadridge Financial Solutions, Inc. (*Broadridge*) will tabulate the votes and act as inspectors of election at the Kemper annual meeting and American Stock Transfer & Trust Company, LLC (*AST*) will tabulate the votes and act as inspectors of election at the Infinity special meeting. Kemper and Infinity will each report the voting results in a Current Report on Form 8-K that will be filed with the SEC within four business days after the vote taken at the Kemper annual meeting and the vote taken at the Infinity special meeting.

Q: If I am a Kemper stockholder or other interested party, how can I communicate with the Kemper Board?

A: Kemper stockholders and other interested parties may communicate with the Kemper Board, or with the non-management directors of the Kemper Board as a group, by calling the Kemper Corporate Responsibility Hotline at 888.695.3359 or by submitting a report or inquiry online at *MyComplianceReport.com* (enter access code KEMP). The hotline and the online reporting function are managed by an independent company, and reports can be made anonymously or confidentially. Communications will be directed to the chair of Kemper's Nominating and Corporate Governance Committee (described on page 59 of this joint proxy statement/prospectus) if addressed to the non-management or independent directors as a group.

Q: If I am an Infinity shareholder, how do I make an election for the type of Merger Consideration that I prefer to receive?

A: Each holder of shares of Infinity common stock as of the close of business on the Infinity record date (other than shares owned by Kemper or any of its wholly owned subsidiaries or Infinity or any of its subsidiaries and shares held by any holder of Infinity common stock who is entitled to demand and properly demands appraisal of such shares under Ohio law) will be mailed a form of election (*Form of Election*). These materials will be mailed concurrently with this joint proxy statement/prospectus. Each such Infinity shareholder should specify in the Form of Election (i) the number of shares of Infinity common stock for which such shareholder elects to have exchanged for the Mixed Consideration, (ii) the number of shares of Infinity common stock for which such shareholder elects to receive the Cash Consideration and (iii) the number of shares of Infinity common stock for which such shareholder elects to have exchanged for the Stock Consideration. Any Infinity shareholder who does not make an election will be deemed to have made an election to receive the Mixed Consideration. The consideration to be paid to Infinity shareholders electing to receive only Cash Consideration or Stock Consideration is subject, pursuant to the terms of the Merger Agreement, to automatic proration to ensure that the total amount of cash paid and the total number of shares of Kemper common stock issued in the Merger is

approximately the same as what would be paid and issued if all Infinity shareholders were to receive the Mixed Consideration. No fractional shares of Kemper common stock will be issued in the Merger, and Infinity shareholders will receive cash in lieu of any fractional shares of Kemper common stock. The election will have been properly made only if the exchange agent has received at its designated office by 5:00 p.m., New York City, New York time, on the date that is ten (10) business days preceding the closing date (the ***Election Deadline***) a Form of Election properly completed and signed and accompanied by (x) in the case of shares of Infinity common stock

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represented by stock certificates, certificates representing shares of Infinity common stock, duly endorsed in blank or otherwise in form acceptable for transfer on the books of Infinity or (y) in the case of book-entry shares held by holders of Infinity common stock, any documentation required by the procedures set forth in the Form of Election.

Q: When can Infinity shareholders expect to receive the Merger Consideration?

A: If you hold physical stock certificates of Infinity common stock (other than shares owned by Kemper or any of its wholly owned subsidiaries or Infinity or any of its subsidiaries and shares held by any holder of Infinity common stock who is entitled to demand and properly demands appraisal of such shares under Ohio law) and you do not make an election to receive the Cash Consideration, Stock Consideration or Mixed Consideration by delivering to the exchange agent by the Election Deadline a properly completed Form of Election and your share certificates, you will be sent a letter of transmittal as soon as reasonably practicable after the closing, describing how you may exchange your shares of Infinity common stock for the Mixed Consideration, and the exchange agent will forward you the cash and the Kemper common stock in book entry form (or applicable evidence of ownership) to which you are entitled, including cash in lieu of fractional shares of Kemper common stock, if any, after receiving the proper documentation from you.

If you hold your shares of Infinity common stock in book-entry form, after the closing, you need only to deliver the Form of Election for your shares to automatically be exchanged for the applicable Merger Consideration, including cash in lieu of fractional shares of Kemper common stock, if any.

Q: If I am an Infinity shareholder, will I receive the Merger Consideration that I request on the Form of Election?

A: Not necessarily. The aggregate amount of cash and the aggregate number of shares of Kemper common stock to be paid and issued, respectively, to Infinity shareholders pursuant to the Merger Agreement are fixed. Each share of Infinity common stock with respect to which an Infinity shareholder makes an election to receive the Mixed Consideration, and each share of Infinity common stock held by an Infinity shareholder who fails to make any valid election with respect to such stockholder's shares of Infinity common stock, will receive \$51.60 in cash and 1.2019 shares of Kemper common stock (subject to adjustment for any reclassification, stock split, recapitalization or other similar transaction with respect to shares of Kemper common stock). However, if the elections of all Infinity shareholders electing to receive solely the Cash Consideration or the Mixed Consideration (including all Infinity shareholders who fail to make a valid election with respect to their shares of Infinity common stock) result in an oversubscription or undersubscription of the aggregate amount of cash available to be paid by Kemper to Infinity shareholders as Merger Consideration, the aggregate amount of cash payable by Kemper in the Merger will not be increased or decreased. Similarly, if the elections of all Infinity shareholders electing to receive solely the Stock Consideration or the Mixed Consideration (including all Infinity shareholders who fail to make a valid election with respect to their shares of Infinity common stock) result in an oversubscription or undersubscription of the aggregate number of shares of Kemper common stock available to be issued by Kemper to Infinity shareholders as Merger Consideration, the aggregate number of shares of Kemper common stock to be issued by Kemper in the Merger will not be increased or decreased. Rather, in each such case, the exchange agent will allocate between cash and Kemper common stock in the manner described in The Merger Agreement Merger Consideration Cash Consideration and The Merger Agreement Merger

Consideration Stock Consideration beginning on pages 179 and 180, respectively, to ensure that the total amount of cash paid and the total number of shares of Kemper common stock issued in the Merger is the same as what would be paid and issued if all Infinity shareholders were to receive the Mixed Consideration. Accordingly, there is no assurance that an Infinity shareholder that has made a valid election to receive solely Cash Consideration or solely Stock Consideration will receive the form of consideration elected with respect to the shares of Infinity common stock held by such shareholder.

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For detailed illustrations of the potential proration and adjustment of the Cash Consideration and Stock Consideration for those Infinity shareholders electing to receive solely Cash Consideration or solely Stock Consideration, see The Merger Agreement Allocation of Merger Consideration and Illustrative Elections and Calculations beginning on page 180.

Q: If I am an Infinity shareholder, what is the deadline for making an election?

A: Your election, to be properly made, must be received by Computer Share Trust Company, N.A., the exchange agent for the Merger (the *exchange agent*) at its designated office by the Election Deadline, which is 5:00 p.m. New York City, New York, time on the date that is ten (10) business days preceding the closing. Kemper and Infinity will publicly announce the anticipated Election Deadline at least three (3) business days before the anticipated Election Deadline.

Q: If I am an Infinity shareholder, what happens if I do not send a Form of Election or it is not received by the Election Deadline?

A: If the exchange agent does not receive a properly completed Form of Election from you at or prior to the Election Deadline, then you will be deemed to have elected to receive Mixed Consideration with respect to your shares of Infinity common stock. You bear the risk of delivery of the Form of Election (including the risk of loss of any certificates representing shares of Infinity common stock) to the exchange agent.

Q: If I am an Infinity shareholder, can I change my election after the Form of Election has been submitted?

A: Yes. You may revoke your election at or prior to the Election Deadline by submitting a written notice of revocation to the exchange agent. Revocations must specify the name in which your shares are registered on the share transfer books of Infinity and any other information that the exchange agent may request. If you wish to submit a new election, you must do so in accordance with the election procedures described in this joint proxy statement/prospectus and the Form of Election. If you instructed a bank, broker, trust or other nominee holder of record to submit an election for your shares, you must follow directions from your bank, broker, trust or other nominee holder of record for changing those instructions. The notice of revocation must be received by the exchange agent at or prior to the Election Deadline in order for the revocation to be valid.

Q: If I am an Infinity shareholder, may I transfer shares of Infinity common stock after making an election?

A: Yes, but only if you revoke your election or the Merger Agreement is terminated. Once you properly make an election with respect to any shares of Infinity common stock, you will be unable to sell or otherwise transfer those shares, unless you properly revoke your election or the Merger Agreement is terminated.

Q: If I am an Infinity shareholder, may I transfer shares of Infinity common stock before the Infinity special meeting?

A: Yes. The Infinity record date is earlier than the Infinity special meeting and the date that the Merger is expected to be completed. If you transfer your shares of Infinity common stock after the Infinity record date but before the Infinity special meeting, you will retain your right to vote at the Infinity special meeting, but you will have transferred the right to receive the Mixed Consideration, Cash Consideration or Stock Consideration, each of which may only be received if you hold your shares through the closing.

Q: Who can help answer my questions?

A: If you have any questions about the Kemper annual meeting, the Infinity special meeting, the Merger or how to submit your proxy, or, for Infinity shareholders, how to complete your Form of Election, or if you need

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additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact the proxy solicitors listed below.

If you are a Kemper stockholder, please contact Innisfree M&A Incorporated, Kemper's proxy solicitor:

501 Madison Avenue, 20th floor

New York, New York 10022

Kemper stockholders may call toll free: (888) 750-5834

Banks and brokers may call collect: (212) 750-5833

If you are an Infinity shareholder, please contact D.F. King & Co., Inc., Infinity's proxy solicitor:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Toll-free: (800) 706-3274

Banks and Brokers: (212) 269-5550

Email: IPCC@dfking.com

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SUMMARY

*This summary highlights certain information in this joint proxy statement/prospectus, but does not contain all of the information that may be important to you. You should read carefully this entire joint proxy statement/prospectus and the attached Annexes and the other documents to which this joint proxy statement/prospectus refers you for a more complete description of the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger and the issuance of shares of Kemper common stock pursuant to the Merger Agreement. In addition, you are encouraged to read carefully the information incorporated by reference into this joint proxy statement/prospectus, which includes important business and financial information about Kemper and Infinity that has been filed with the SEC. You may obtain the information incorporated by reference into this joint proxy statement/prospectus without charge by following the instructions in the section entitled *Where You Can Find More Information* beginning on page 279.*

Information about the Companies

Kemper (see page 229)

Kemper is a diversified insurance holding company, with subsidiaries that provide automobile, homeowners, life, health, and other insurance products to individuals and businesses. The principal executive offices of Kemper are located at One East Wacker Drive, Chicago, Illinois 60601, and its telephone number is (312) 661-4600.

Kemper is a holding company incorporated under the laws of the State of Delaware in 1990, with equity securities traded on the NYSE. On August 25, 2011, Kemper adopted its current name and changed its NYSE ticker symbol to KMPR. Prior to the name change, Kemper was known as Unitrin, Inc. and traded under the NYSE ticker symbol UTR.

Kemper is engaged, through its subsidiaries, in the property and casualty insurance and life and health insurance businesses. Kemper conducts its operations through two operating segments: Property & Casualty Insurance and Life & Health Insurance. Kemper conducts its operations solely in the United States.

Kemper's subsidiaries employ approximately 5,550 full-time associates supporting their operations, of which approximately 1,850 are employed in its Property & Casualty Insurance segment, approximately 3,200 are employed in the Life & Health Insurance segment and the remainder are employed in various corporate and other staff and shared functions.

For additional information regarding Kemper, please refer to its Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC and incorporated by reference into this joint proxy statement/prospectus, as well as Kemper's other filings with the SEC. See *Where You Can Find More Information* beginning on page 279.

Merger Sub (see page 229)

Vulcan Sub, Inc. (***Merger Sub***) is a direct wholly owned subsidiary of Kemper and was formed solely for the purpose of consummating the Merger. Merger Sub has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the transactions contemplated by the Merger Agreement. The principal executive offices of Merger Sub are located at One East Wacker Drive, Chicago, Illinois 60601, and its telephone number is (312) 661-4600.

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Infinity (see page 230)

Infinity was incorporated under the laws of the State of Ohio on September 16, 2002. Infinity is a holding company that provides insurance, through its subsidiaries, for personal auto with a concentration on non-standard risks, commercial auto and classic collectors. Infinity's headquarters are located at 2201 4th Avenue North, Birmingham, Alabama. Infinity employed approximately 2,300 people at December 31, 2017. Infinity's common stock is traded on the NASDAQ under the symbol IPCC.

Infinity offers personal and commercial auto insurance primarily in four key states: Arizona, California, Florida and Texas. Infinity's target customers are urban and Hispanic drivers. This narrow geographic and demographic focus allows Infinity to concentrate its efforts and resources on providing competitively priced products to underserved segments while generating adequate returns for its shareholders.

For additional information regarding Infinity, please refer to its Annual Report on Form 10-K for the year ended December 31, 2017 (as amended on Form 10-K/A) as filed with the SEC and incorporated by reference into this joint proxy statement/prospectus, as well as Infinity's other filings with the SEC. See [Where You Can Find More Information](#) beginning on page 279.

The Merger (see page 122)

Kemper, Merger Sub and Infinity have entered into the Merger Agreement, a copy of which is attached as [Annex A](#) to this joint proxy statement/prospectus. Upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with applicable law, Merger Sub will merge with and into Infinity, with Infinity surviving the Merger as a wholly owned subsidiary of Kemper. Upon the closing, Infinity common stock will no longer be publicly traded on NASDAQ. You are encouraged to read carefully the Merger Agreement in its entirety because it is the legal document that governs the Merger. Kemper and Infinity currently expect that the Merger will be completed during the third quarter of 2018, subject to the satisfaction or waiver of applicable conditions to the closing, including the receipt of certain regulatory approvals including approvals from insurance regulators. Following the Merger, Kemper and Infinity are referred to as the *combined company*.

Merger Consideration (see page 178)

Under the terms of the Merger Agreement, as of the effective time, each share of Infinity common stock issued and outstanding as of immediately prior to the effective time (other than shares owned by Kemper or any of its wholly owned subsidiaries or Infinity or any of its subsidiaries and shares held by any holder of Infinity common stock who is entitled to demand and properly demands appraisal of such shares under Ohio law) will be cancelled and convert into, at the election of the holder thereof, the right to receive either the Mixed Consideration, Cash Consideration or Stock Consideration, in each case as described below, subject to the automatic proration and adjustment procedures described under [The Merger Agreement Merger Consideration Cash Consideration](#) beginning on page 179, [The Merger Agreement Merger Consideration Stock Consideration](#) beginning on page 180 and [The Merger Agreement Allocation of Merger Consideration and Illustrative Elections and Calculations](#) beginning on page 180.

The consideration to be paid to Infinity shareholders electing to receive only Cash Consideration or Stock Consideration is subject, pursuant to the terms of the Merger Agreement, to automatic proration and adjustment, as applicable, to ensure that the total amount of cash paid and the total number of shares of Kemper common stock issued in the Merger is approximately the same as what would be paid and issued if all Infinity shareholders were to receive the Mixed Consideration. Accordingly, the total number of shares of Kemper common stock to be issued and the total amount of cash to be paid by Kemper as part of the Merger Consideration will not change from what was

agreed to in the Merger Agreement (other than for adjustment in

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the event that there is any change in the outstanding shares or classes of capital stock of Kemper or Infinity as a result of any reclassification, stock split (including a reverse stock split), recapitalization, split-up, combination, exchange or readjustment of shares or other similar transaction, or any stock dividend or stock distribution that is declared thereon. However, since the market price of Kemper common stock will fluctuate, the total value of the Mixed Consideration and the value of the Stock Consideration may increase or decrease between the date of the Merger Agreement and the effective time. Accordingly, the value of the actual per share consideration to be paid to Infinity shareholders cannot be determined until after the effective time. No fractional shares of Kemper common stock will be issued in the Merger, and Infinity shareholders will receive cash in lieu of any fractional shares of Kemper common stock.

Mixed Consideration

The Merger Agreement provides that each share of Infinity common stock with respect to which an Infinity shareholder makes a valid election to receive a fixed combination of cash and Kemper common stock, and each share for which an Infinity shareholder fails to make any election with respect to such shareholder's shares of Infinity common stock, will be converted into the right to receive the combination of (i) \$51.60 in cash and (ii) 1.2019 shares of Kemper common stock.

Cash Consideration

The Merger Agreement provides that each share of Infinity common stock with respect to which an Infinity shareholder makes a valid election to receive cash will be converted into the right to receive an amount of cash equal to \$129.00, without interest and subject to any required withholding of taxes, subject to the automatic proration and adjustment procedures described under The Merger Agreement Merger Consideration Cash Consideration beginning on page 179 and The Merger Agreement Allocation of Merger Consideration and Illustrative Elections and Calculations beginning on page 180.

Stock Consideration

The Merger Agreement provides that each share of Infinity common stock with respect to which an Infinity shareholder makes a valid election to receive Kemper common stock will convert into the right to receive 2.0031 shares of Kemper common stock, subject to the automatic proration and adjustment procedures described under The Merger Agreement Merger Consideration Stock Consideration beginning on page 180 and The Merger Agreement Allocation of Merger Consideration and Illustrative Elections and Calculations beginning on page 180.

Treatment of Infinity Equity Awards in the Merger (see page 172)

Pursuant to the Merger Agreement, at the effective time:

Infinity performance share awards

Each award of Infinity performance share units with respect to Infinity common stock granted under an Infinity stock plan that is outstanding and unvested immediately prior to the effective time (***Infinity performance share awards***) will vest with respect to the target number of shares of Infinity common stock subject to such Infinity performance share award (the ***target share amount***) and will be converted into shares of Kemper common stock (provided that any such shares of Kemper common stock held after payment of required withholding taxes may not be sold or transferred prior to the first anniversary of the date of the closing), with the number of shares of Kemper common stock subject to each Infinity performance share award determined by multiplying such target share amount by 2.0031.

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Director Restricted Shares

Each award of restricted shares of Infinity common stock granted under any Infinity stock plan that is outstanding and unvested immediately prior to the effective time (*Infinity restricted shares*) and held by a non-employee member of the Infinity Board (*Director Restricted Shares*) will vest in full and be eligible to receive the Merger Consideration

Rollover RSUs

Each award of Infinity restricted shares (other than the Director Restricted Shares) will be cancelled without any acceleration of vesting and in exchange Kemper will grant, as soon as practicable following the closing, a number of restricted stock units with respect to Kemper common stock determined by multiplying the number of cancelled Infinity restricted shares by 2.0031 (*Rollover RSUs*) with such Rollover RSUs vesting in accordance with any applicable award or other agreement between the recipient of such Rollover RSUs and Kemper (or an affiliate thereof).

Ownership of Kemper After the Merger

Based on the number of shares of common stock of Infinity outstanding on the Infinity record date, Kemper expects to issue or reserve for issuance approximately 13.2 million shares of Kemper common stock in connection with the Merger (including shares of Kemper common stock issuable to Infinity shareholders and shares of Kemper common stock issuable pursuant to certain Infinity equity-based awards). Based on this number and the number of shares of Kemper common stock outstanding on the Kemper record date, upon the closing, pre-existing Kemper stockholders and former Infinity shareholders would own approximately 80% and 20% of the outstanding shares of Kemper common stock, respectively, immediately following the closing. The Merger will have no effect on the number of shares of Kemper common stock owned by existing Kemper stockholders.

Share Ownership of Kemper's and Infinity's Directors and Executive Officers

At the close of business on the Kemper record date, directors and executive officers of Kemper and their affiliates owned and were entitled to vote approximately 604,738 shares of Kemper common stock, collectively representing approximately 1.2% of the shares of Kemper common stock outstanding on that date. Approval of the share issuance proposal by Kemper stockholders requires the affirmative vote of a majority of votes cast at the Kemper annual meeting with respect to the share issuance proposal, provided that a quorum is present. On February 13, 2018, all of Kemper's directors and then-employed named executive officers entered into Voting and Support Agreements with Infinity (*Kemper Voting and Support Agreements*) pursuant to which, among other things and subject to certain exceptions, each director and named executive officer agreed to vote or cause to be voted any shares of Kemper common stock of which they are the beneficial or record owner in favor of the share issuance proposal. Kemper currently expects that Kemper's executive officers not party to the Kemper Voting and Support Agreements will vote in favor of the share issuance proposal, although they are under no obligation to do so. See *The Voting and Support Agreements* Kemper Voting and Support Agreements beginning on page . A form of the Kemper Voting and Support Agreement is attached as Annex B to this joint proxy statement/prospectus.

At the close of business on the Infinity record date, directors and executive officers of Infinity and their affiliates owned and were entitled to vote approximately 314,379 shares of Infinity common stock, collectively representing 2.9% of the shares of Infinity common stock outstanding on that date. Approval of the merger proposal by Infinity shareholders requires the affirmative vote of shareholders entitled to exercise a majority of the voting power of Infinity. On February 13, 2018, all of Infinity's directors and then-employed named executive officers entered into Voting and Support Agreements with Kemper (the *Infinity Voting and Support Agreements*) pursuant to which,

among other things and subject to certain exceptions, each director and named

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executive officer agreed to vote or cause to be voted any shares of Infinity common stock of which they are the beneficial or record owner in favor of the merger proposal. Infinity currently expects that Infinity's executive officers not party to the Infinity Voting and Support Agreements will vote in favor of the merger proposal, although they are under no obligation to do so. See *The Voting and Support Agreements* Infinity Voting and Support Agreements beginning on page 224. A form of the Infinity Voting and Support Agreement is attached as Annex C to this joint proxy statement/prospectus.

Recommendation of the Kemper Board and Its Reasons for the Merger (see page 139).

After careful consideration, on February 13, 2018 the Kemper Board unanimously adopted resolutions approving the Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement and the share issuance, including the Merger, upon the terms and subject to the conditions set forth in the Merger Agreement. **The Kemper Board unanimously recommends that Kemper stockholders vote FOR the share issuance proposal and FOR the Kemper meeting adjournment proposal at the Kemper annual meeting.**

For a summary of the factors considered by the Kemper Board in reaching its decision to approve the Merger Agreement and the consummation of the transactions contemplated thereby, as well as the Kemper Board's reasons for, and certain risks related to, the Merger, see *The Merger Recommendation of the Kemper Board and Its Reasons for the Merger* beginning on page 139.

Recommendation of the Infinity Board and Its Reasons for the Merger (see page 143)

After careful consideration, on February 13, 2018, the Infinity Board unanimously adopted the Merger Agreement and approved the consummation of the transactions contemplated by the Merger Agreement, including the Merger, upon the terms and subject to the conditions set forth in the Merger Agreement. **The Infinity Board unanimously recommends that Infinity shareholders vote FOR the merger proposal, FOR the non-binding compensation advisory proposal and FOR the Infinity meeting adjournment proposal at the Infinity special meeting.**

For a summary of the factors considered by the Infinity Board in reaching its decision to adopt the Merger Agreement and approve the consummation of the transactions contemplated by the Merger Agreement, including the Merger, as well as the Infinity Board's reasons for, and certain risks related to, the Merger, see *The Merger Recommendation of the Infinity Board and Its Reasons for the Merger* beginning on page 143.

Opinion of Kemper's Financial Advisor (see page 146)

At a meeting of the Kemper Board held on February 13, 2018, Goldman Sachs & Co. LLC (*Goldman Sachs*) delivered to the Kemper Board its oral opinion, subsequently confirmed in writing, that, as of February 13, 2018, and based upon and subject to the factors and assumptions set forth in Goldman Sachs' written opinion, the aggregate Merger Consideration to be paid by Kemper for all of the issued and outstanding shares of Infinity common stock pursuant to the Merger Agreement was fair from a financial point of view to Kemper.

The full text of Goldman Sachs' written opinion, dated February 13, 2018, which sets forth the assumptions made, procedures followed, matters considered, qualifications and limitations on the review undertaken in connection with the opinion, is attached as Annex D and is incorporated by reference into this joint proxy statement/prospectus. A summary of Goldman Sachs' opinion is set forth in this joint proxy statement/prospectus in the section entitled *The Merger Opinion of Kemper's Financial Advisor*

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beginning on page 143 and is qualified in its entirety by reference to the full text of Goldman Sachs' written opinion. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the Kemper Board in connection with its consideration of the proposed Merger and the opinion does not constitute a recommendation as to how any holder of shares of Kemper common stock should vote with respect to the share issuance proposal or any other matter.

Pursuant to an engagement letter between Kemper and Goldman Sachs, Kemper has agreed to pay Goldman Sachs for its services in connection with the transactions an aggregate fee of \$13 million, all of which is contingent upon the closing.

Opinion of Infinity's Financial Advisor (see page 156)

At the February 12, 2018 meeting of the Infinity Board, Deutsche Bank Securities Inc. (*Deutsche Bank*), financial advisor to Infinity, rendered its oral opinion to the Infinity Board, confirmed by delivery of a written opinion dated February 13, 2018, to the effect that as of the date of such opinion, and based upon and subject to the assumptions, limitations, qualifications and conditions described in Deutsche Bank's opinion, the Merger Consideration was fair, from a financial point of view, to the holders of Infinity common stock (excluding Kemper and its affiliates). Deutsche Bank did not express any opinion as to the proration and election procedures in the Merger Agreement.

The full text of Deutsche Bank's written opinion, dated February 13, 2018, which sets forth the assumptions made, procedures followed, matters considered and limitations, qualifications and conditions on the review undertaken in connection with the opinion, is attached as Annex E and is incorporated by reference into this joint proxy statement/prospectus. A summary of Deutsche Bank's opinion is set forth in this joint proxy statement/prospectus in the section entitled **The Merger Opinion of Infinity's Financial Advisor beginning on page 156 and is qualified in its entirety by reference to the full text of the opinion. Deutsche Bank's opinion was addressed to, and for the use and benefit of, the Infinity Board in connection with and for the purpose of its evaluation of the Merger. Deutsche Bank did not express an opinion, and Deutsche Bank's opinion did not constitute a recommendation, as to how any holder of Infinity common stock should vote or act with respect to the Merger or any other matter, including whether any such holder should elect to receive the Mixed Consideration, the Cash Consideration or the Stock Consideration. Deutsche Bank's opinion was limited to the fairness of the Merger Consideration, from a financial point of view, to the holders of Infinity common stock (excluding Kemper and its affiliates) as of the date of the opinion. The opinion did not address any other terms of the Merger or the Merger Agreement. Nor did the opinion address the terms of any other agreement entered into or to be entered into in connection with the Merger. Deutsche Bank expressed no opinion as to the merits of the underlying decision by Infinity to engage in the Merger or the relative merits of the Merger as compared to any alternative transactions or business strategies.**

Pursuant to an engagement letter between Infinity and Deutsche Bank, dated December 21, 2017, Infinity has agreed to pay Deutsche Bank a transaction fee equal to 1% of the value of the aggregate consideration (as defined in the engagement letter), which equaled approximately \$13 million as of March 29, 2018, for its services as financial advisor to Infinity in connection with the Merger, of which \$1.0 million became payable upon the delivery of Deutsche Bank's opinion and the remainder of which is contingent upon the closing.

Interests of Infinity's Directors and Executive Officers in the Merger (see page 172)

When considering the Infinity recommendation, Infinity shareholders should be aware that directors and executive officers of Infinity have certain interests in the Merger that may be different from or in addition to the interests of Infinity shareholders generally. The Infinity Board was aware of these interests and considered them, among other

things, in evaluating and negotiating the Merger Agreement and the Merger.

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These interests include the following:

Infinity executive officers and directors hold outstanding shares of Infinity common stock, which will be treated like all other shares of Infinity common stock in the Merger. See *Ownership of Infinity Common Stock* beginning on page 234.

Pursuant to the terms of certain letter agreements entered into between Kemper and each of Glen N. Godwin, Samuel J. Simon and Robert H. Bateman, Messrs. Godwin, Simon and Bateman will continue to be employed pursuant to the terms of their respective employment agreements, and the term of each such executive's employment agreement shall be extended for a period of two (2) years following the closing.

The letter agreements also provide that each of Messrs. Godwin, Simon and Bateman will be entitled to receive a retention bonus equal to the cash severance benefit that he would have received under his current employment agreement with Infinity if his employment had been terminated by Infinity immediately prior to the expiration of the term (as extended by the letter agreements) for a reason other than cause, subject generally to the executive remaining in continuous employment with the combined company through the extended term.

The letter agreements also provide that Kemper will, as soon as practicable after the closing, grant each of Messrs. Godwin, Simon and Bateman a special award of time-based restricted stock units having a grant date value equal to \$1,000,000. The special grant will vest in full at the expiration of the applicable term, provided generally that the executive remains in continuous employment with the combined company through such date.

In connection with the Merger, the Infinity Board approved the extension of Mr. Gober's employment for a period commencing March 1, 2018 through the effective time of the Merger. During such period, Mr. Gober will be paid a salary at a rate of \$287,500 per annum, payable in accordance with Infinity's normal payroll practices. Mr. Gober will not be entitled to any other compensation in respect of such period.

In connection with the Merger, the Infinity Board established the Term Sheet Committee (as described on page 126 of this joint proxy statement/prospectus), which included Samuel J. Weinhoff serving as Chairman of the committee and Victor T. Adamo, Richard J. Bielen, Teresa A. Canida and James L. Weidner serving as the remaining members of the Term Sheet Committee. As compensation for the Term Sheet Committee's services throughout the negotiation of the Merger Agreement, the Nominating and Corporate Governance Committee of the Infinity Board approved a payment to Mr. Weinhoff of \$25,000 and to each other member of the Term Sheet Committee of \$20,000, to be paid in April 2018.

Certain directors and officers of Infinity will have rights to indemnification from Kemper after the effective time. See *The Merger Agreement Interests of Infinity's Directors and Executive Officers in the Merger* beginning on page 172.

The Infinity Board was aware of these interests and considered them, among other matters, in adopting the Merger Agreement and in determining to recommend that Infinity shareholders adopt the Merger Agreement. See The Merger Interests of Infinity's Directors and Executive Officers in the Merger, beginning on page 172 for additional information about these interests.

Board of Directors of Kemper after the Merger (see page 177)

In connection with the Merger, Kemper has agreed to take all actions necessary to cause, as of the effective time, the election as a member of the Kemper Board of one individual who is serving as a director of the Infinity Board as of February 13, 2018 or immediately prior to the closing. The decision as to which individual will be so

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elected by the Kemper Board shall be in the sole discretion of Kemper and shall comply with the policies of the Kemper Board's Nominating and Corporate Governance Committee, Kemper's corporate governance guidelines, applicable laws and the NYSE's rules and regulations.

Information about the current Kemper and Infinity directors and executive officers can be found in the documents listed under the heading "Where You Can Find More Information" beginning on page 279.

Listing of Kemper Common Stock and Delisting and Deregistration of Infinity Common Stock (see page 172)

Application will be made to have the shares of Kemper common stock to be issued in the Merger approved for listing on NYSE, subject to official notice of issuance, where Kemper common stock currently is traded under the symbol **KMPR**. If the Merger is completed, Infinity common stock will be delisted from the NASDAQ Stock Market LLC (the **NASDAQ**) and will be deregistered under the Exchange Act. As a result, Infinity will no longer be publicly traded or file periodic reports with the SEC.

Dissenting Rights of Infinity Shareholders (see page 187)

Under Ohio law, if the merger proposal is approved by the Infinity shareholders, any holder of shares of Infinity common stock who does not vote in favor of approving the merger proposal may be entitled to seek relief as a dissenting shareholder under Section 1701.85 of the Ohio General Corporation Law (the **OGCL**), which includes the right to seek appraisal of the fair cash value of such holder's shares as determined by the Court of Common Pleas of Hamilton County, Ohio, but only if such shareholder complies with the procedures of Ohio law applicable to the exercise of the rights of a dissenting shareholder, including by delivering to Infinity a written demand with the information required by Section 1701.85(A)(4) of the OGCL before the vote on the merger proposal. The appraised fair cash value of Infinity common stock could be more, the same as or less than the Merger Consideration. See "The Merger Agreement - Dissenting Rights of Infinity Shareholders" and "Appraisal and Dissenters' Rights" beginning on pages 187 and 226, respectively.

SECTION 1701.85 OF THE OGCL, GOVERNING THE RIGHTS OF DISSENTING INFINITY SHAREHOLDERS, IS ATTACHED IN ITS ENTIRETY AS ANNEX F TO THIS JOINT PROXY STATEMENT/PROSPECTUS. ANY INFINITY SHAREHOLDER WHO WISHES TO EXERCISE THE RIGHTS OF A DISSENTING SHAREHOLDER OR WHO WISHES TO PRESERVE THE RIGHT TO DO SO SHOULD REVIEW ANNEX F CAREFULLY AND SHOULD CONSULT SUCH SHAREHOLDER'S LEGAL ADVISOR, AS FAILURE TO TIMELY COMPLY WITH THE PROCEDURES SET FORTH IN SECTION 1701.85 OF THE OGCL WILL RESULT IN THE LOSS OF THOSE RIGHTS.

Merely not voting for the Merger will not preserve the right of Infinity shareholders to seek an appraisal of their shares of Infinity common stock under Ohio law because a submitted proxy not marked **AGAINST** or **ABSTAIN** will be voted **FOR** the merger proposal, **FOR** the non-binding compensation advisory proposal and **FOR** the Infinity meeting adjournment proposal. Accordingly, the submission of a proxy not marked **AGAINST** or **ABSTAIN** will result in the waiver of appraisal rights. Infinity shareholders who wish to exercise their appraisal rights and hold shares in the name of a bank, broker, trust or other nominee holder of record must instruct their bank, broker, trust or other nominee holder of record to take the steps necessary to enable them to demand appraisal for their shares.

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Conditions to Completion of the Merger (see page 188)

The respective obligations of Kemper, Merger Sub and Infinity to effect the Merger are subject to the satisfaction or waiver of the following conditions at or prior to the closing:

the affirmative vote of a majority of the votes cast at the Kemper annual meeting with respect to the share issuance proposal;

the affirmative vote of Infinity shareholders entitled to exercise a majority of the voting power of Infinity in favor of the merger proposal;

the approval for listing on the NYSE, subject to official notice of issuance, of the shares of Kemper common stock to be issued to Infinity shareholders in the Merger;

the expiration or termination of any applicable waiting period (or extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the *HSR Act*);

the receipt of authorizations, consents, orders, declarations or approvals of, notifications to or filings or registrations with, or terminations or expirations of waiting periods imposed by, certain insurance regulators, and other governmental entities, the failure of which to be obtained or made or occur would reasonably be likely to have, individually or in the aggregate, a material adverse effect (as described on page 190 of this joint proxy statement/prospectus) with respect to Kemper after giving effect to the Merger;

the absence of any temporary restraining order, preliminary or permanent injunction or other order issued by a court of competent jurisdiction or other legal restraint or prohibition preventing the closing;

the declaration by the SEC of the effectiveness under the Securities Act of the registration statement on Form S-4 of which this joint proxy statement/prospectus forms a part and the absence of any stop order or proceedings initiated (and not withdrawn) by the SEC for that purpose;

in the case of Kemper's and Merger Sub's obligation to effect the Merger, the satisfaction of certain employee retention requirements;

in the case of Kemper's and Merger Sub's obligation to effect the Merger, no proper exercise of appraisal rights under Ohio law by Infinity shareholders holding more than 10% of the outstanding shares of Infinity common stock;

in the case of Kemper's and Merger Sub's obligation to effect the Merger, the absence of any pending action commenced by certain governmental entities wherein a judgment, individually or in the aggregate with other such judgments, would reasonably be expected to prevent the closing or impose or require a materially burdensome condition (as defined on page 24 of this joint proxy statement/prospectus);

in the case of Kemper's and Merger Sub's obligation to effect the Merger, the absence of certain approvals under applicable insurance laws imposing or requiring a materially burdensome condition;

in the case of each party's obligation to effect the Merger, the absence of a material adverse effect with respect to the other party and its subsidiaries since the date of the Merger Agreement;

in the case of each party's obligation to effect the Merger, subject to certain materiality exceptions, the accuracy of the representations and warranties made by the other party, and the receipt of a certificate from an executive officer of the other party to that effect; and

in the case of each party's obligation to effect the Merger, compliance by the other party in all material respects with such party's respective covenants under the Merger Agreement, and the receipt of a certificate from an executive officer of the other party to that effect.

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The conditions set forth in the Merger Agreement may be waived by Kemper or Infinity, in whole or in part, to the extent permitted by applicable law. For a more detailed discussion of these matters, see The Merger Agreement Conditions to Completion of the Merger beginning on page 188. The condition that the expiration or termination of any applicable waiting period (or extension thereof) under the HSR Act has been satisfied, as early termination of the waiting period was granted on March 12, 2018.

Regulatory Approvals; Materially Burdensome Condition (see page 164)

Kemper and Infinity have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the transactions contemplated by the Merger Agreement including, subject to certain limitations, (i) obtaining all necessary actions or non-actions, waivers, consents, qualifications and approvals from governmental entities (including under the HSR Act and applicable insurance regulatory laws), (ii) obtaining all necessary consents, qualifications and approvals from non-governmental third parties, (iii) defending any lawsuits or other legal proceedings challenging the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement, including seeking to have any stay or temporary restraining order entered by any governmental entity vacated or reversed (but excluding any lawsuits or legal proceedings brought by or against any applicable state insurance regulator) and (iv) executing and delivering any additional documents or instruments necessary to consummate the Merger Agreement and transactions contemplated thereby. On February 28, 2018, Kemper and Infinity each filed a notification and report form under the HSR Act with the Federal Trade Commission (*FTC*) and the U.S. Department of Justice (*DOJ*). Early termination of the waiting period under the HSR Act was granted by the FTC on March 12, 2018.

Notwithstanding the foregoing, none of Kemper or any of its subsidiaries will be obligated to, and neither Infinity nor any of its subsidiaries will, without the prior written consent of Kemper, consent to, take or refrain from taking, or offer or commit or consent to take or refrain from taking (i) any action that involves (A) making any divestiture or disposition of any portion of any business or assets, (B) licensing any portion of any business or assets, (C) accepting or entering any consent decree or hold separate order or (D) placing any assets in trust, in each case by Kemper, Infinity or any their respective subsidiaries or affiliates, in each case except for such actions related to de minimis assets (with such assets measured on a scale relative to Infinity and its subsidiaries, taken as a whole), (ii) any action that involves (A) accepting or entering into any operational restriction or restriction on the payment or declaration of dividends, (B) making any capital commitment or capital guaranty or (C) entering into any capital support agreement, statement of support, guarantee, keep well or other similar capital maintenance undertaking to maintain a minimum risk-based capital level or rating, in each case with respect to, or in connection with, Kemper, Infinity or their respective subsidiaries or affiliates which, in each case and together with any other such action, would or would reasonably be expected to detract from the benefits reasonably expected to be derived by Kemper and its subsidiaries as a result of the Merger (with such benefits measured on a scale relative to Infinity and its subsidiaries, taken as a whole and to include Kemper's ability to operate its business after giving effect to the Merger), or (iii) any action that would reasonably be expected to have a material adverse effect with respect to either Kemper or Infinity, after giving effect to the Merger (with such materiality measured on a scale relative to Infinity and its subsidiaries, taken as a whole), in each case of the immediately foregoing clauses (i), (ii) and (iii), whether before or after the closing (any such action, a *materially burdensome condition*). See The Merger Agreement Conditions to Completion of the Merger and The Merger Agreement Efforts to Complete the Merger beginning on pages 188 and 201, respectively.

Financing (see page 210)

Kemper currently anticipates borrowing under its available credit facilities and/or incurring indebtedness under an unsecured bank loan to fund a portion of the cash payable in connection with the Merger Consideration.

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Prior to the effective time or the termination of the Merger Agreement, as the case may be, at Kemper's sole expense, Infinity has agreed to, and has agreed to cause each of its subsidiaries to, use its reasonable best efforts to provide, or cause to be provided by its and their respective personnel and representatives, to Kemper such cooperation reasonably requested by Kemper in connection with the arrangement of any debt financing obtained to fund the Merger Consideration. See The Merger Agreement Financing beginning on page 210.

Infinity Acquisition Proposals (see page 191)

Subject to certain exceptions, the Merger Agreement precludes Infinity, its directors and officers and their respective other representatives from, among other things, soliciting, initiating or knowingly encouraging or knowingly inducing or facilitating the making, submission or announcement of any inquiries or the making of any proposal or offer constituting or related to an Infinity acquisition proposal (as described on page 193 of this joint proxy statement/prospectus). Notwithstanding such restrictions, the Merger Agreement provides that, at any time prior to Infinity shareholders approving the merger proposal, provided that Infinity and its subsidiaries have complied with their non-solicitation restrictions, the Infinity Board may, upon receiving an Infinity acquisition proposal that did not result from a breach of the Merger Agreement and determining in good faith (after consultation with Infinity's outside legal counsel and outside financial advisor) that such Infinity acquisition proposal constitutes an Infinity superior proposal (as described on page 194 of this joint proxy statement/prospectus), make an Infinity adverse recommendation change (as described on page 193 of this joint proxy statement/prospectus) and may cause Infinity to terminate the Merger Agreement and concurrently enter into a binding definitive agreement to effect such Infinity superior proposal if Infinity has taken certain actions (as described under The Merger Agreement Infinity Acquisition Proposals and The Merger Agreement Special Meeting of Infinity Shareholders; Recommendation of the Infinity Board beginning on pages 191 and 197, respectively).

Kemper Acquisition Proposals (see page 194)

Subject to certain exceptions, the Merger Agreement precludes Kemper, its directors and officers and their respective other representatives from, among other things, soliciting, initiating or knowingly encouraging or knowingly inducing or facilitating the making, submission or announcement of any inquiries or the making of any proposal or offer constituting or related to a Kemper acquisition proposal (as described on page 196 of this joint proxy statement/prospectus). Notwithstanding such restrictions, the Merger Agreement provides that, at any time prior to Kemper stockholders approving the share issuance proposal, provided that Kemper and its subsidiaries have complied with their non-solicitation restrictions, the Kemper Board may, upon receiving a Kemper acquisition proposal that did not result from a breach of the Merger Agreement and determining in good faith (after consultation with Kemper's outside legal counsel and outside financial advisor) that such Kemper acquisition proposal constitutes a Kemper superior proposal (as described on page 196 of this joint proxy statement/prospectus), make a Kemper adverse recommendation change (as described on page 196 of this joint proxy statement/prospectus) and may cause Kemper to terminate the Merger Agreement and concurrently enter into a binding definitive agreement to effect such Kemper superior proposal if Kemper has taken certain actions (as described under The Merger Agreement Kemper Acquisition Proposals and The Merger Agreement Annual Meeting of Kemper Stockholders; Recommendation of the Kemper Board beginning on pages 194 and 199, respectively).

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Termination of the Merger Agreement (see page 216)

Termination by Kemper or Infinity

The Merger Agreement may be terminated and the Merger may be abandoned prior to the effective time by the mutual written consent of Kemper and Infinity. Moreover, either Kemper or Infinity may terminate the Merger Agreement at any time prior to the effective time if:

any court of competent jurisdiction or other government entity has issued a judgment, order, injunction, rule or decree, or taken any other action, restraining, enjoining or otherwise prohibiting or making illegal the closing or any of the other transactions contemplated by the Merger Agreement and such judgment, order, injunction, rule, decree or other action has become final and nonappealable (provided that the right to terminate the Merger Agreement for this reason will not be available to any party that has failed to (i) use its reasonable best efforts to contest, resolve or lift, as applicable, such judgment, order, injunction, rule, decree or other action and (ii) comply with its obligations described in The Merger Agreement Efforts to Complete the Merger beginning on page 201 in all material respects as its relates to such governmental entity);

the Infinity special meeting (including any adjournment or postponement thereof) was held to obtain the approval of the merger proposal and concluded without obtaining such approval (provided that Infinity may not terminate the Merger Agreement for this reason if Infinity has not complied with its obligations under the Merger Agreement with respect to not soliciting Infinity acquisition proposals and the holding of the Infinity special meeting);

the Kemper annual meeting (including any adjournment or postponement thereof) was held to obtain the approval of the share issuance proposal and concluded without obtaining such approval (provided that Kemper may not terminate the Merger Agreement for this reason if Kemper has not complied with its obligations under the Merger Agreement with respect to not soliciting Kemper acquisition proposals and the holding of the Kemper annual meeting); or

the effective time has not occurred on or before November 13, 2018 (or, if extended pursuant to the Merger Agreement, February 13, 2019) (the *outside date*) (provided, that neither Kemper nor Infinity has the right to terminate the Merger Agreement for this reason if the failure to consummate the Merger by such date results from the material breach or failure to perform by Kemper or Merger Sub (in the case of termination by Kemper) or Infinity (in the case of termination by Infinity) of any of its representations, warranties, covenants or agreements contained in the Merger Agreement). See The Merger Agreement Termination of the Merger Agreement beginning on page 216.

Termination by Kemper

Kemper may terminate the Merger Agreement as follows:

if Infinity breaches or fails to perform in any material respect any of its representations, warranties, covenants or agreements contained in the Merger Agreement, which breach or failure to perform (i) would give rise to the failure of the applicable conditions precedent to Kemper's obligation to complete the Merger and (ii) cannot be or has not been cured within the lesser of (A) thirty (30) days after the giving by Kemper of written notice to Infinity of such breach or failure to perform (such notice to describe such breach or failure to perform in reasonable detail) and (B) the number of days remaining until the outside date, provided that Kemper will not have the right to terminate the Merger Agreement for this reason if Kemper or Merger Sub is then in material breach of any of its representations, warranties, obligations or agreements under the Merger Agreement;

if, prior to Infinity shareholders approving the merger proposal, the Infinity Board or any committee thereof has (i) effected or permitted an Infinity adverse recommendation change (whether or not

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permitted to do so under the terms of the Merger Agreement), (ii) adopted, approved, endorsed, declared advisable or recommended to Infinity shareholders an Infinity acquisition proposal other than the Merger, (iii) failed to publicly reaffirm the Infinity recommendation within five business days following receipt of a written request by Kemper to provide such reaffirmation after an Infinity acquisition proposal has been publicly disclosed or has become publicly known, (iv) failed to include in this joint proxy statement/prospectus the Infinity recommendation or included in this joint proxy statement/prospectus any proposal to vote upon or consider any Infinity acquisition proposal other than the Merger or (v) failed to recommend against a competing tender offer or exchange offer for 15% or more of the outstanding capital stock of Infinity within ten (10) business days after commencement of such offer (including by taking no position with respect to the acceptance of such tender offer or exchange offer by its shareholders);

if Infinity breaches in any material respect any of its obligations with respect to not soliciting Infinity acquisition proposals; or

if, prior to Kemper stockholders approving the share issuance proposal, Kemper terminates the Merger Agreement in order to enter into a definitive agreement to effect a Kemper superior proposal, so long as Kemper has complied with its obligations with respect to not soliciting Kemper acquisition proposals in all material respects and enters into such definitive agreement concurrently with the termination of the Merger Agreement and pays the termination fee (described below) in accordance with the procedures and within the time periods set forth in the Merger Agreement. See The Merger Agreement Termination of the Merger Agreement and The Merger Agreement Reimbursement of Fees and Expenses beginning on pages 216 and 218, respectively.

Termination by Infinity

Infinity may terminate the Merger Agreement as follows:

if Kemper or Merger Sub breaches or fails to perform in any material respect any of its respective representations, warranties, covenants or agreements contained in the Merger Agreement, which breach or failure to perform (i) would give rise to the failure of the applicable conditions precedent to Infinity's obligation to complete the Merger and (ii) cannot be or has not been cured within the lesser of (A) thirty (30) days after the giving by Infinity of written notice to Kemper of such breach or failure to perform (such notice to describe such breach or failure to perform in reasonable detail) and (B) the number of days remaining until the outside date, provided that Infinity will not have the right to terminate the Merger Agreement for this reason if Infinity is then in material breach of any of its representations, warranties, obligations or agreements under the Merger Agreement;

if, prior to Kemper stockholders approving the share issuance proposal, the Kemper Board or any committee thereof has (i) effected or permitted a Kemper adverse recommendation change (whether or not permitted to do so under the terms of the Merger Agreement), (ii) adopted, approved, endorsed, declared advisable or recommended to Kemper stockholders a Kemper acquisition proposal, (iii) failed to publicly reaffirm the Kemper recommendation within five business days following receipt of a written request by Infinity to provide such reaffirmation after a Kemper acquisition proposal has been publicly disclosed or has become publicly known, (iv) failed to include in this joint proxy statement/prospectus the Kemper recommendation

or included in this joint proxy statement/prospectus any proposal to vote upon or consider any Kemper acquisition proposal or (v) failed to recommend against a competing tender offer or exchange offer for 15% or more of the outstanding capital stock of Kemper within five business days after commencement of such offer (including by taking no position with respect to the acceptance of such tender offer or exchange offer by its stockholders);

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if Kemper breaches in any material respect any of its obligations with respect to not soliciting Kemper acquisition proposals; or

if, prior to Infinity shareholders approving the merger proposal, Infinity terminates the Merger Agreement in order to enter into a definitive agreement to effect an Infinity superior proposal, so long as Infinity has complied with its obligations with respect to not soliciting Infinity acquisition proposals in all material respects and enters into such definitive agreement concurrently with the termination of the Merger Agreement, and pays the termination fee (described below) in accordance with the procedures and within the time periods set forth in the Merger Agreement. See *The Merger Agreement Termination of the Merger Agreement* and *The Merger Agreement Reimbursement of Fees and Expenses* beginning on pages 216 and 218, respectively.

Reimbursement of Fees and Expenses (see page 218)

Kemper must pay Infinity a termination fee of \$49,598,810 if the Merger Agreement is terminated under certain specified circumstances, including (i) following a failure by Infinity or Kemper to obtain the requisite stockholder approvals, if in certain circumstances, Kemper enters into a transaction with respect to a Kemper acquisition proposal concurrently with or within twelve (12) months of such termination, or (ii) if Infinity terminates the Merger Agreement following a Kemper adverse recommendation change.

Infinity must pay Kemper a termination fee of \$49,598,810 if the Merger Agreement is terminated under certain specified circumstances, including (i) following a failure by Kemper or Infinity to obtain the requisite stockholder approvals, if in certain circumstances, Infinity enters into a transaction with respect to an Infinity acquisition proposal concurrently with or within 12 months of such termination, or (ii) if Kemper terminates the Merger Agreement following an Infinity adverse recommendation change.

If the Merger Agreement is terminated under certain circumstances, including if Kemper or Infinity fail to obtain the requisite stockholder or shareholder approvals, Kemper or Infinity may be required to reimburse the other party for its expenses incurred in connection with the Merger in an aggregate amount not to exceed \$14,171,089.

Material U.S. Federal Income Tax Consequences (see page 166)

For U.S. holders (as described on page 167 of this joint proxy statement/prospectus), the receipt of the Merger Consideration in exchange for shares of Infinity common stock pursuant to the Merger will be a taxable transaction for U.S. federal income tax purposes. Infinity shareholders should consult their tax advisors regarding the particular tax consequences of the exchange of shares of Infinity common stock for the Merger Consideration pursuant to the Merger in light of their particular circumstances (including the application and effect of any state, local or foreign income and other tax laws). See *Material U.S. Federal Income Tax Consequences* beginning on page 166.

Accounting Treatment (see page 171)

Kemper will account for the acquisition of shares of Infinity common stock through the Merger under the acquisition method of accounting for business combinations. In determining the acquirer for accounting purposes, Kemper considered the factors required under Financial Accounting Standards Board Accounting Standards Codification 805, *Business Combinations* (**ASC 805**) and determined that Kemper will be considered the acquirer of Infinity for accounting purposes. Accordingly, Kemper's cost to acquire all issued and outstanding shares of Infinity common stock will be allocated to Infinity's acquired assets, liabilities and non-controlling interests based upon their estimated fair values. The allocation of the purchase price is preliminary and is dependent upon estimates of certain valuations

that are subject to change.

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Risk Factors (see page 38)

In evaluating the Merger, the Merger Agreement or the issuance of shares of Kemper common stock pursuant to the Merger Agreement, you should read carefully this joint proxy statement/prospectus and especially consider the factors discussed in the section entitled "Risk Factors" beginning on page 38.

Kemper's Dividend Policy

Kemper has historically paid quarterly dividends and intends to continue paying regular quarterly dividends to its stockholders. However, any decision to pay dividends on its common stock will be at the discretion of the Kemper Board, which may determine not to declare dividends at all or at a reduced amount. As a holding company with no significant business operations of its own, Kemper relies on dividends from its insurance subsidiaries to meet its obligations and pay dividends to its stockholders, and such insurance subsidiaries are subject to significant regulatory restrictions under state insurance laws and regulations that limit their ability to declare and pay dividends. See "The Merger - Kemper's Dividend Policy" on page 164.

Comparison of Rights of Kemper Stockholders and Infinity Shareholders (see page 241)

The rights of the Kemper stockholders are governed by Kemper's Restated Certificate of Incorporation, dated as of August 6, 2014 (the "*Kemper Charter*") and Amended and Restated Bylaws, effective August 6, 2014 (the "*Kemper Bylaws*") as well as the Delaware General Corporation Law (*DGCL*). The rights of the Infinity shareholders are governed by Infinity's Amended and Restated Articles of Incorporation, dated as of May 21, 2007 (the "*Infinity Articles*") and Regulations, as amended and restated as of August 1, 2017, (the "*Infinity Regulations*") as well as the OGCL. Following the closing, the rights of the Infinity shareholders will be governed by the Kemper Charter and the Kemper Bylaws, as well as the DGCL, and the former Infinity shareholders will have the same rights as Kemper stockholders. However, because the Kemper Charter and Kemper Bylaws are different from the Infinity Articles and Infinity Regulations, and the DGCL is different from the OGCL, the rights of Infinity shareholders will differ in some respects from the rights afforded to them prior to the Merger. Certain of these differences are described in detail under "Comparison of Rights of Kemper Stockholders and Infinity Shareholders" beginning on page 241.

Expenses (see page 222)

Generally, all fees and expenses incurred in connection with the Merger, the Merger Agreement and the transactions contemplated by the Merger Agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement/prospectus.

The Kemper Annual Meeting (see page 46)

The Kemper annual meeting will be held at 8:00 a.m. local time, on Friday, June 1, 2018, at The Kemper Building, 20th floor, One East Wacker Drive, Chicago, Illinois 60601. Holders of Kemper common stock on the Kemper record date will be entitled to vote at the Kemper annual meeting. In addition to the share issuance proposal and Kemper meeting adjournment proposal, Kemper stockholders will be asked at the Kemper annual meeting:

To elect the Nominees to the Kemper Board;

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To consider and vote on a non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018; and

To consider and vote on a non-binding advisory proposal to approve the compensation of Kemper's named executive officers, as described in this joint proxy statement/prospectus.

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The Kemper Board unanimously recommends that Kemper stockholders vote (i) FOR the share issuance proposal, (ii) FOR the Kemper meeting adjournment proposal, (iii) FOR the election of each of the Nominees, (iv) FOR the non-binding advisory proposal to ratify the selection of Deloitte & Touche LLP as Kemper's independent registered public accountant for fiscal year 2018 and (v) FOR the non-binding advisory proposal to approve the compensation of Kemper's named executive officers.

Table of Contents**Selected Historical Consolidated Financial Data of Kemper**

The following tables set forth the selected historical consolidated financial data of Kemper and its subsidiaries. The selected consolidated financial data as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 have been derived from Kemper's audited consolidated financial statements and related notes contained in its Annual Report on Form 10-K for the year ended December 31, 2017 (as amended on Form 10-K/A, filed with the SEC on April 23, 2018), which are incorporated by reference into this joint proxy statement/prospectus. The selected consolidated financial data as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013 have been derived from Kemper's audited consolidated financial statements and related notes for such years, which have not been incorporated by reference into this joint proxy statement/prospectus. Historical results are not necessarily indicative of the results that may be expected for any future period.

This selected historical consolidated financial data should be read in conjunction with Kemper's audited consolidated financial statements, the notes related thereto and the related Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Kemper's Annual Report on Form 10-K for the year ended December 31, 2017. See *Where You Can Find More Information* beginning on page 279.

(Dollars in Millions, Except for Per Share Amounts)	2017	2016	2015	2014	2013
FOR THE YEAR					
Earned Premiums	\$ 2,350.0	\$ 2,220.0	\$ 2,009.6	\$ 1,862.2	\$ 2,025.8
Net Investment Income	327.2	298.3	302.6	309.1	314.7
Other Income	4.0	3.2	3.7	1.4	0.8
Net Realized Gains on Sales of Investments	56.5	33.1	52.1	39.1	99.1
Net Impairment Losses Recognized in Earnings	(14.3)	(32.7)	(27.2)	(15.2)	(13.9)
Total Revenues	\$ 2,723.4	\$ 2,521.9	\$ 2,340.8	\$ 2,196.6	\$ 2,426.5
Income from Continuing Operations	\$ 119.9	\$ 12.7	\$ 80.2	\$ 112.6	\$ 214.5
Income from Discontinued Operations	1.0	4.1	5.5	1.9	3.2
Net Income	\$ 120.9	\$ 16.8	\$ 85.7	\$ 114.5	\$ 217.7
Per Unrestricted Share:					
Income from Continuing Operations	\$ 2.32	\$ 0.25	\$ 1.55	\$ 2.08	\$ 3.75
Income from Discontinued Operations	0.02	0.08	0.10	0.04	0.06
Net Income	\$ 2.34	\$ 0.33	\$ 1.65	\$ 2.12	\$ 3.81
Financing activities	(230,656)	399,697	184	354,537	(401,838)

- (a) The year ended December 31, 2009 reflects the results of post-Acquisition activities for the three months ended December 31, 2009 and a \$34.1 million change in the fair value of warrants due to our determination that the exchange agreements entered into with the holders of 26.8 million warrants were derivative instruments. We conducted no material operating activities for the year ended December 31, 2008 or the period from November 2, 2007 (inception) to December 31, 2007.
- (b) Long-term obligations are presented net of an unamortized discount associated with a commitment fee to Motorola in connection with the TSA. The balance of the unamortized discount was \$0.7 million at December 31, 2009 and \$0 at

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December 31, 2008 and 2007.

(c) We have not declared or paid cash dividends on our common stock.

Iridium Holdings LLC Predecessor Company

The following selected historical financial data for the period from January 1, 2009 to September 29, 2009 and the years ended December 31, 2008 and 2007 was derived from Iridium Holdings' audited financial statements included elsewhere in this Annual Report on Form 10-K. The information for the years ended December 31, 2006 and 2005 was derived from Iridium Holdings' audited financial statements that are not included in this Annual Report on Form 10-K. The selected financial data below should be read in conjunction with Iridium Holdings' financial statements and related notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. The selected financial data is historical data for Iridium Holdings on a stand-alone basis and is not necessarily indicative of future results of operations.

Statement of Operations Data: (a)	For the Period	For the Year Ended December 31,			
	from January 1, 2009 to September 29, 2009	2008	2007	2006	2005
	(In thousands, except per unit amounts)				
Revenue:					
Government services	\$ 56,039	\$ 67,759	\$ 57,850	\$ 50,807	\$ 48,347
Commercial services	120,706	133,247	101,172	77,661	60,690
Subscriber equipment	66,206	119,938	101,879	83,944	78,663
Total revenue	242,951	320,944	260,901	212,412	187,700
Operating expenses:					
Cost of subscriber equipment sales	33,265	67,570	62,439	60,068	62,802
Cost of services (exclusive of depreciation and amortization)	58,978	69,882	63,614	60,685	56,909
Selling, general and administrative	44,505	55,105	46,350	33,468	30,135
Research and development	17,432	32,774	13,944	4,419	4,334
Depreciation and amortization	10,850	12,535	11,380	8,541	7,722
Transaction costs	12,478	7,959			
Satellite system development refund					(14,000)
Total operating expenses	177,508	245,825	197,727	167,181	147,902
Operating profit	65,443	75,119	63,174	45,231	39,798
Other (expense) income:					
Interest expense, net of capitalized interest	(12,829)	(21,094)	(21,771)	(15,179)	(5,106)
Interest expense recovered					2,526
Interest and other income	670	(146)	2,370	1,762	2,377
Total other (expense) income, net	(12,159)	(21,240)	(19,401)	(13,417)	(203)
Net income	\$ 53,284	\$ 53,879	\$ 43,773	\$ 31,814	\$ 39,595
Net income attributable to Class A Units	\$ 36,143	\$ 36,456	\$ 30,826	\$ 22,692	\$ 28,642
Weighted average Class A Units outstanding basic	1,084	1,084	1,084	840	609
Weighted average Class A Units outstanding diluted	1,168	1,098	1,084	840	609
Earnings per unit basic	\$ 33.34	\$ 33.63	\$ 28.44	\$ 27.02	\$ 47.02
Earnings per unit diluted	\$ 31.75	\$ 33.40	\$ 28.44	\$ 27.02	\$ 47.02

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Balance Sheet Data:	2008	As of December 31,		
		2007	2006	2005
(In thousands)				
Total current assets	\$ 101,355	\$ 80,342	\$ 84,035	\$ 65,385
Total assets	190,569	167,581	161,525	129,397
Total long term obligations (b)	155,845	178,324	208,225	53,848
Total members' deficit	(62,230)	(78,447)	(121,189)	(57,262)

Other Data:	For the Period from January 1, 2009 to September 29, 2009		For the Year Ended December 31,		
	2008	2007	2006	2005	
(In thousands)					
Cash provided by (used in):					
Operating activities	\$ 64,230	\$ 61,438	\$ 36,560	\$ 39,499	\$ 30,742
Investing activities	(7,698)	(13,913)	(19,787)	(9,467)	(9,661)
Financing activities	(23,327)	(44,820)	(26,526)	(8,032)	(18,887)

- (a) Iridium does not have a full year of operations in 2009 since the Acquisition closed on September 29, 2009. Beginning on January 1, 2006, Iridium measured the cost of employee services received in exchange for an award of equity units based on the fair value of the award at the date of grant. Iridium previously used the intrinsic method to measure employee share-based compensation. Under the intrinsic value method, compensation expense for the equity units was recorded only if on the date of grant, the fair value of the underlying equity units exceeded the exercise price.
- (b) Long-term obligations are presented net of an unamortized discount associated with a commitment fee to Motorola in connection with the TSA. The balance of the unamortized discount was \$1.3 million at December 31, 2008, \$1.8 million at December 31, 2007, \$2.3 million at December 31, 2006 and \$2.7 million at December 31, 2005.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion along with our consolidated financial statements and the consolidated financial statements of Iridium Holdings LLC (our predecessor entity) included in this Form 10-K.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development or otherwise are not statements of historical fact. Without limiting the foregoing, the words believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements. The important factors discussed under the caption Risk Factors, presented above, could cause actual results to differ materially from those indicated by forward-looking statements made herein. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Background and Recent Events

We were formed as GHL Acquisition Corp., a special purpose acquisition company, on November 2, 2007, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business

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combination. We closed an initial public offering of our common stock on February 21, 2008. All of our activity from November 2, 2007 (inception) through February 21, 2008 related to our formation and initial public offering. From February 21, 2008 through September 29, 2009, our activities were limited to identifying prospective target businesses to acquire and complete a business combination, and we were considered to be in the development stage.

On September 29, 2009, we acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC, or Iridium Holdings. We refer to this transaction as the Acquisition. Iridium Holdings and its two principal subsidiaries, Iridium Satellite LLC, or Iridium Satellite, and Iridium Constellation LLC, or Iridium Constellation, were formed under the laws of Delaware in 2000 and were organized as limited liability companies pursuant to the Delaware Limited Liability Company Act. We refer to Iridium Holdings, together with its direct and indirect subsidiaries, as Iridium. On December 11, 2000, Iridium acquired satellite communication assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement. Iridium and its affiliates held, and following the Acquisition we hold, various licenses and authorizations from the FCC and from international regulatory bodies that permit us to conduct our business, including the operation of our satellite constellation.

Pursuant to the terms of the Acquisition, we purchased all of the outstanding equity of Iridium Holdings. Total consideration included 29.4 million shares of our common stock and \$102.6 million in cash, which included a requirement to make a payment of \$25.5 million in cash to some of the former members of Iridium Holdings for tax benefits we received. This requirement was satisfied with payments subsequently made in December 2009 and January 2010. Upon closing of the Acquisition, we changed our name from GHL Acquisition Corp. to Iridium Communications Inc.

We accounted for our business combination with Iridium Holdings as a purchase business combination and recorded all assets acquired and liabilities assumed at their respective Acquisition-date fair values pursuant to accounting guidance that was effective at the time. Pursuant to this guidance, we were deemed the legal and accounting acquirer and Iridium Holdings the legal and accounting acquiree. Iridium is considered our predecessor and, accordingly, its historical financial statements are deemed to be our predecessor financial statements. Iridium's historical financial statements are included in this Form 10-K but are presented separately from our financial statements.

For the purposes of presenting consolidated financial statements as of and for the year ended December 31, 2009, we determined that the results of Iridium's operations for the one day period from the closing of the Acquisition to September 30, 2009 were not material. Accordingly, our consolidated statements of operations and cash flows for the year ended December 31, 2009 include the results of our pre-Acquisition operations for the nine months ended September 30, 2009 and our post-Acquisition operations for the three months ended December 31, 2009. All significant intercompany accounts and transactions have been eliminated in consolidation.

Overview

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

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

We sell our products and services to commercial end-users exclusively through a wholesale distribution network, encompassing approximately 65 service providers, 130 value-added resellers, or VARs, and 45 value-added manufacturers, who either sell directly to the end-user or indirectly through other service providers, VARs or dealers. These distributors often integrate our products and services with other complementary hardware and software and have developed a broad suite of applications for our products and services targeting specific vertical markets.

At December 31, 2009, we had approximately 369,000 subscribers worldwide (7.2% were machine-to-machine, or M2M, data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time), which represented a 15.3% increase over December 31, 2008. We have a diverse customer base, including end-users in the following vertical markets: land-based handset; maritime;

aviation; M2M; and government.

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We expect our future revenue growth rates will be slower than our historical growth rates and we expect future growth will be affected by the current economic slowdown, increased competition, gradual maturation of the satellite communications industry and the difficulty in sustaining high growth rates as we increase in size.

Our business plan calls for the development of Iridium NEXT, the development of new product and service offerings, upgrades to our current services, hardware and software upgrades to maintain our ground infrastructure and upgrades to our business systems. We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades will be approximately \$2.7 billion although we have not yet entered into definitive agreements for these activities and our actual cost could substantially exceed this estimate. We expect to fund a substantial portion of these costs from internally generated cash flows, including revenues from secondary payloads and warrant proceeds. We expect to finance the remaining cost by raising additional debt or equity financing. However, there can be no assurance that our internally generated cash flows will meet our expectations or that we will be able to obtain sufficient external capital to fund Iridium NEXT and implement other elements of our business plan, due to increased costs, lower revenues or inability to obtain additional financing. Among other factors leading to this uncertainty, some of the warrants whose proceeds we expect to use to fund a portion of Iridium NEXT are currently under water, meaning they have an exercise price per share that is significantly higher than the current price at which our common stock is trading. In addition, none of the warrants are callable by us until such time as our stock trades at a per share price greater than \$14.25 for our \$7.00 warrants or \$18.00 for our \$11.50 warrants for an extended period of time. As of March 12, 2010, the closing price of our common stock was \$8.22 per share. Unless our stock price increases significantly, we would not expect the under-water warrants to be exercised and we will not be able to call any of the warrants. If we do not obtain such funds from internally generated cash flows, or from the net proceeds of future debt or equity financings, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities will be impaired.

The recent global economic crisis and related tightening of credit markets has also made it more difficult and expensive to raise capital. Our ability to obtain additional capital to finance Iridium NEXT and related ground infrastructure, products and services, and other capital requirements may be adversely impacted by the continuation of these market conditions. We have engaged Goldman, Sachs & Co. as our lead global advisor to help secure the funding necessary to design, build and launch Iridium NEXT, although we cannot assure you that we will have access to sources of financing on reasonable terms, or at all. If we are unable to obtain sufficient financing on acceptable terms, we may not be able to fully implement our business plan as currently projected, if at all, which would significantly limit the development of our business and impair our ability to provide a commercially acceptable level of service.

The impact of adding the fair value of Iridium's assets and liabilities to our balance sheet has resulted in a significant increase in the carrying value of our assets and liabilities. Because we estimated the fair value of the acquired assets and liabilities, we may revise those estimates through a measurement period ending September 29, 2010, the first anniversary of the Acquisition, if better information becomes available to us. When comparing our results of operations to that of our predecessor, Iridium, the impact of the acquisition accounting on the carrying value of inventory, property and equipment, intangible assets and accruals, increased by approximately \$19.8 million, \$332.5 million, \$91.9 million and \$9.6 million, respectively compared to Iridium's balance sheet as of September 29, 2009. Similarly, Iridium's deferred revenue decreased by \$7.4 million. As a result of accounting adjustments related to the Acquisition, our cost of subscriber equipment sales will increase in 2010 as compared to those costs and expenses of Iridium in prior periods and the decrease in the carrying value of deferred revenue will result in a decrease in revenue in 2010. In addition, the increase in accruals will result in a reduction in cost of services (exclusive of depreciation and amortization) during 2010 and future periods. The increase in property and equipment and intangible assets will result in an increase to depreciation and amortization expense during 2010 and future periods.

Material Trends and Uncertainties

Iridium's industry and customer base has historically grown as a result of:

demand for remote and reliable mobile communications services;

increased demand for communications services by the Department of Defense, or DoD, disaster and relief agencies and emergency first responders;

a broad and expanding wholesale distribution network with access to diverse and geographically dispersed niche markets;

a growing number of new products and services and related applications;

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improved data transmission speeds for mobile satellite service offerings;

regulatory mandates requiring the use of mobile satellite services, particularly among maritime end-users;

a general reduction in prices of mobile satellite services equipment; and

geographic market expansion through the receipt of licenses in additional countries.

Nonetheless, as we continue the Iridium business, we face a number of challenges and uncertainties, including:

our ability to obtain capital and external funding to meet our future capital requirements on acceptable terms or at all, including, in particular, the funding for developing Iridium NEXT and related ground infrastructure, products and services;

our ability to maintain the health, capacity, control and level of service of our satellite network during transition to Iridium NEXT;

changes in general economic, business and industry conditions;

our reliance on a single primary gateway and a primary satellite network operations center;

the competition from other mobile satellite service providers and, to a lesser extent, from the expansion of terrestrial based cellular phone systems and related pricing pressures;

our ability to maintain our relationship with U.S. government customers, particularly the DoD;

rapid and significant technological changes in the telecommunications industry;

reliance on our wholesale distribution network to market and sell our products, services and applications effectively; and

our ability to successfully resolve a dispute with Motorola, Inc., or Motorola, regarding fees they have alleged that we owe to them and to license the required intellectual property for Iridium NEXT.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations and those of Iridium, as our predecessor, is based upon our consolidated financial statements and those of Iridium, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates including those related to revenue recognition, useful lives of property and equipment, long-lived assets, goodwill and other intangible assets, inventory, income taxes, stock-based compensation and other estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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The accounting policies we believe to be most critical to understanding our financial results and condition and those of Iridium, as our predecessor, and that require complex and subjective management judgments are discussed below. Refer to the notes to our consolidated financial statements and those of Iridium for a full discussion of these significant accounting policies.

Revenue Recognition

Iridium derived, and we now derive, our revenue primarily as a wholesaler of satellite communications products and services. The primary types of revenue include (i) services revenue (access and usage-based airtime fees) and (ii) subscriber equipment revenue. Additionally, we generate revenue by providing engineering and support services to commercial and government customers.

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Wholesaler of satellite communications products and services

Pursuant to wholesale agreements, we sell products and services to service providers who, in turn, sell the products and services to other distributors or directly to the end-users. Generally, we recognize revenue when services are performed or delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, and collection is probable, as follows:

Contracts with multiple elements

At times, we sell subscriber equipment through multi-element contracts that bundle subscriber equipment with airtime services. When we sell subscriber equipment and airtime services in bundled arrangements that include guaranteed minimum orders and we determine that we have separate units of accounting, we allocate the bundled contract price among the various contract deliverables based on each deliverable's relative fair value. We determine vendor specific objective evidence of fair value by assessing sales prices of subscriber equipment and airtime services when they are sold to customers on a stand-alone basis.

Services revenue sold on a stand-alone basis

We generate services revenue from our service providers through usage of our satellite system and through fixed monthly access fees per user charged to service providers. We recognize revenue for usage when the usage occurs. We recognize revenue for fixed-per-user access fees ratably over the period in which the services are provided to the end-user. We recognize revenue from prepaid services when usage occurs or, if not used, when the customer's right to access the unused prepaid services expires. We do not offer refund privileges for unused prepaid services. Deferred prepaid services revenue and access fees are typically earned and recognized as income within one year of customer prepayment. Based on historical information for prepaid scratch card services that do not have an initial expiration date, we record breakage associated with prepaid scratch card account balances for which the likelihood of redemption is remote, which is generally determined after 36 months from issuance.

Subscriber equipment sold on a stand-alone basis

We recognize subscriber equipment sales and the related costs when title to the equipment (and the risks and rewards of ownership) passes to the customer, typically upon shipment.

Services and subscriber equipment sold to the U.S. government

We provide airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for unlimited voice services, (ii) fixed monthly fees per user for unlimited paging services and (iii) a tiered pricing plan (based on usage) per device, for data services. We recognize revenue related to these services ratably over the periods in which the services are provided and we expense the related costs as incurred. The U.S. government purchases its equipment from third-party service providers and not directly from us.

Government engineering and support services

We provide maintenance services to the U.S. government's dedicated gateway in Hawaii. We recognize this revenue ratably over the periods in which the services are provided. We expense costs as incurred.

Other government and commercial engineering and support services

We also provide certain engineering services to assist customers in developing new technologies for use on our satellite system. We recognize the revenue associated with these services when the services are rendered, typically on a percentage of completion method of accounting based on our estimate of total costs expected to complete the contract, and we expense related costs as incurred. We recognize revenue on cost-plus-fixed-fee contracts to the extent of estimated costs incurred plus the applicable fees earned. We consider fixed fees under cost-plus-fixed-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Accounting for Stock-Based Compensation

We account for stock-based compensation at fair value; accordingly, we expense the estimated fair value of stock-based awards made in exchange for employee services over the requisite employee service period. We determine stock-based compensation cost at the grant date using the Black-Scholes option pricing model. We recognize the value of the award that is ultimately expected to vest as expense on a straight-line

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basis over the employee's requisite service period and that expense is classified in the statement of operations in a manner consistent with the statement of operations classification of the employee's salaries and other compensation.

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Business Combinations

We account for business combinations using the acquisition method of accounting. Under the acquisition method of accounting, we record all assets acquired and liabilities assumed at their respective acquisition-date fair value. We expense all acquisition-related costs as incurred.

Income Taxes

We account for income taxes using the asset and liability approach, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax basis of our assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. We also recognize a tax benefit from uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Our policy is to recognize interest and penalties on uncertain tax positions as a component of income tax expense.

Recoverability of Long-Lived Assets

We assess the impairment of long-lived assets when indicators of impairment are present. We measure recoverability of assets by comparing the carrying amounts of the assets to the future undiscounted cash flows expected to be generated by the assets. Any impairment loss would be measured as the excess of the assets' carrying amount over their fair value. Fair value is based on market prices where available, an estimate of market value or various valuation techniques.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. We perform impairment testing for goodwill annually or more frequently if indicators of potential impairment exist. If the fair value of goodwill were to be less than the carrying amount of goodwill, we would recognize an impairment loss.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are our spectrum and licenses, and trade names which are indefinite-lived intangible assets. We reevaluate the useful life determination for these assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. We test indefinite-lived intangible assets for potential impairment annually or more frequently if indicators of impairment exist. If the fair value of the indefinite-lived asset is less than the carrying amount, an impairment loss is recognized.

Intangible Assets Subject to Amortization

We amortize our intangible assets that do have finite lives, which consist of primarily customer relationships, both government and commercial, core developed technology and software, over their useful lives and we review them for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indicators were present, we would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, that is, if the asset is not recoverable, we would perform the next step, which is to determine the fair value of the asset and record an impairment loss, if any. We reevaluate the useful lives for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives.

Stock Purchase Warrants

We account for stock purchase warrants as equity securities unless, based on the underlying terms of the stock warrant purchase agreement, the warrants are determined to be derivative instruments. At December 31, 2009, all outstanding warrants were classified within stockholders' equity.

Comparison of Our Results of Operations for the Years Ended December 31, 2009 and 2008

For the periods prior to the Acquisition, we did not engage in any significant operations or generate any revenues from operations. For the year ended December 31, 2009, we had \$76.0 million of revenue, which is entirely attributable to the three months of operations after the Acquisition. We expect revenue to increase significantly in 2010 as we will have a full year of operations. See Comparison of Combined Results

of Operations for additional analysis.

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Total operating expenses increased to \$88.3 million for the year ended December 31, 2009 from \$2.6 million for the year ended December 31, 2008. This increase was primarily related to the three months of operations after the Acquisition and an increase in transaction costs primarily due to legal and advisory fees associated with the Acquisition.

Other expense changed to \$33.2 million in the year ended December 31, 2009 from \$5.6 million of other income in the year ended December 31, 2008. This change was primarily due to our determination that the exchange agreements entered into with the holders of 26.8 million warrants were derivative instruments and the change in fair value of these warrants was \$34.1 million, along with a decrease in other income as a result of lower prevailing interest rates available on our cash, cash equivalents and short-term investment balances.

We had an income tax benefit of \$1.3 million for the year ended December 31, 2009 compared to an income tax provision of \$1.4 million for the year ended December 31, 2008. In 2009, we had current tax expenses primarily driven by the non-deductibility of the change in fair value of warrants and non-deductible transaction costs offset by a favorable change in the deferred tax balances due to the change in basis as a result of the Acquisition. The effective tax rate for the year ended December 31, 2009 was 2.90% compared to 45.02% in the equivalent period in 2008 due to the non-deductibility of certain transaction costs and the change in fair value for the derivative instruments associated with the warrant exchange and repurchase agreements. We do not expect the effective tax rate to continue at this level as the non-deductible items related to the warrant exchange agreements and the transaction costs are not expected to have a future impact.

Comparison of Our Results of Operations for the Year Ended December 31, 2008 and the Period from November 2, 2007 (Inception) to December 31, 2007

Net income for the year ended December 31, 2008 was \$1.7 million compared to a net loss of approximately \$4,000 for the period from November 2, 2007 (inception) to December 31, 2007. Operations in 2007 were limited to minimal administrative costs, compared to 2008, which consisted of approximately \$5.6 million of interest income primarily from the trust account offset by approximately \$2.1 million of transaction fees related to due diligence work incurred in conjunction with our proposed business combination, as well as selling, general and administrative expenses of \$0.5 million and a provision for income taxes of approximately \$1.4 million.

Comparison of Combined Results of Operations for the Year Ended December 31, 2009 and Iridium's Results of Operations for the Year Ended December 31, 2008

For comparison purposes, we have included the following discussion of our operating results and those of Iridium on a combined basis for the year ended December 31, 2009. This presentation is intended to facilitate the evaluation and understanding of the financial performance of our business on a year-to-year basis. Management believes this presentation is useful in providing the users of our financial information with an understanding of our results of operations because there were no material changes to the operations or customer relationships of Iridium as a result of the Acquisition. The combined presentation is a simple mathematical addition of the pre-Acquisition results of operations of Iridium for the period from January 1, 2009 to September, 29 2009 and our results of operations for the year ended December 31, 2009. We had no material operating activities from the date of formation of GHL Acquisition Corp. until the Acquisition. Accordingly, we are comparing the 2009 combined results to Iridium's results of operations for the year ended December 31, 2008. There are no other adjustments made in the combined presentation.

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	Iridium Communications Inc. Year Ended December 31, 2009 As Reported	Iridium Period from January 1, 2009 to September 29, 2009 As Reported	Combined Year Ended December 31, 2009 (In thousands)	Iridium Year Ended December 31, 2008 As Reported	% Change
Revenue:					
Services:					
Government	\$ 19,159	\$ 56,039	\$ 75,198	\$ 67,759	11.0%
Commercial	39,537	120,706	160,243	133,247	20.3%
Subscriber equipment	17,293	66,206	83,499	119,938	(30.4)%
Total revenue	75,989	242,951	318,940	320,944	(0.6)%
Operating expenses:					
Cost of subscriber equipment sales	18,657	33,265	51,922	67,570	(23.2)%
Cost of services (exclusive of depreciation and amortization)	18,965	58,978	77,943	69,882	11.5%
Research and development	5,974	17,432	23,406	32,774	(28.6)%
Depreciation and amortization	21,513	10,850	32,363	12,535	158.2%
Selling, general and administrative	17,029	44,505	61,534	55,105	11.7%
Transaction costs	6,163	12,478	18,641	7,959	134.2%
Total operating expenses	88,301	177,508	265,809	245,825	8.1%
Operating (loss) profit	(12,312)	65,443	53,131	75,119	(29.3)%
Other (expense) income:					
Change in fair value of warrants	(34,117)		(34,117)		NM
Interest expense, net of capitalized interest	(355)	(12,829)	(13,184)	(21,094)	(37.5)%
Interest income and other income (expense), net	1,303	670	1,973	(146)	NM
Total other (expense) income	(33,169)	(12,159)	(45,328)	(21,240)	113.4%
Earnings (loss) before (benefit) provision for taxes	(45,481)	53,284	7,803	53,879	(85.5)%
Income tax (benefit) provision	(1,321)		(1,321)		NM
Net (loss) income	\$ (44,160)	\$ 53,284	\$ 9,124	\$ 53,879	(83.1)%

NM = Not Meaningful

Revenue

Total revenue decreased by less than 1.0% to \$318.9 million on a combined basis for the year ended December 31, 2009 from \$320.9 million for the year ended December 31, 2008, due principally to a significant decrease in sales of subscriber equipment, offset by increased sales of commercial and government services. Total subscribers increased by approximately 15.3% during the year ended December 31, 2009 to approximately 369,000 compared to an increase of approximately 36.6% during the year ended December 31, 2008. Subscriber growth slowed in the year ended December 31, 2009 as compared to the year ended December 31, 2008, primarily due to the economic environment.

Government Services Revenue

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Government services revenue increased by 11.0% to \$75.2 million on a combined basis for the year ended December 31, 2009 from \$67.8 million for the year ended December 31, 2008, primarily as a result of an overall increase in work performed under engineering and support services contracts in 2009. In addition, voice services revenue increased primarily due to the full year impact of price increases implemented in April 2008, and an increase in M2M data revenue driven primarily by subscriber growth. The number of voice subscribers remained constant from 2008 to 2009, because the increase in handset subscribers was offset by a decrease in paging subscribers and voice average revenue per unit, or ARPU, increased by \$5 to \$150 in 2009 from \$145 in 2008 primarily due to an increase in the monthly access fee. M2M data ARPU increased by \$5 to \$21 in 2009 from \$16 in 2008 primarily due to a mix change in our tiered pricing data plans. We expect government revenue to be slightly lower in 2010 as compared to 2009 as engineering and support services contract work is expected to decrease in 2010 as work curtails. Also, future growth in voice and M2M data subscribers and revenue may be negatively affected by changes in U.S. defense spending and usage under our agreement with the U.S. government, which accounts for a majority of our government services revenue and is subject to annual renewals.

	Combined Year Ended December 31, 2009			Government Services Iridium Year Ended December 31, 2008			Year over Year Change		
	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	(Revenue in millions and subscribers in thousands)					
				Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers	ARPU
Voice	\$ 53.0	29.4	\$ 150	\$ 52.2	29.4	\$ 145	\$ 0.8		\$ 5
M2M data	0.8	4.1	21	0.3	1.9	16	0.5	2.2	5
Engineering and support	21.4			15.3			6.1		
Total	\$ 75.2	33.5		\$ 67.8	31.3		\$ 7.4	2.2	

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

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

Table of Contents*Commercial Services Revenue*

Commercial services revenue increased by 20.3% to \$160.2 million on a combined basis for the year ended December 31, 2009 from \$133.2 million for the year ended December 31, 2008, due principally to growth in commercial voice service subscribers and a \$5 increase per user in monthly access fees in January 2009. M2M data revenue growth was driven principally by evolving applications developed by several of our distributors, and an increase in the subscriber base slightly offset by a decline in usage related to the expiration of a special customer promotion in 2008. M2M data ARPU decreased by \$2 to \$16 in 2009 from \$18 in 2008, primarily due to an increase in our suspended accounts in 2009, which did not have corresponding revenue.

In addition, we have a significant number of active M2M data subscribers who subscribe through a VAR who is currently substantially behind on payment. If we choose to terminate our relationship with this VAR for non-payment, there is no guarantee that these end-user subscribers, with whom we do not have a direct relationship, will migrate to another of our service providers or VARs to purchase our products and services. Although we do not expect that such a termination would have a material impact on our financial results of operations, it would dramatically decrease our subscriber growth rate.

	Combined Year Ended December 31, 2009			Commercial Services Iridium Year Ended December 31, 2008			Year over Year Change		
	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers	ARPU
	(Revenue in millions and subscribers in thousands)								
Voice	\$ 143.1	238.4	\$ 52	\$ 121.2	217.6	\$ 52	\$ 21.9	20.8	\$
M2M data ⁽³⁾	16.5	96.9	16	11.3	71.0	18	5.2	25.9	(2)
Other	0.6			0.7			(0.1)		
Total	\$ 160.2	335.3		\$ 133.2	288.6		\$ 27.0	46.7	

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

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

(3) 26.6 subscribers at December 31, 2009 and 12.0 subscribers at December 31, 2008 were M2M data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time.

Subscriber Equipment Revenue

Subscriber equipment sales decreased by 30.4% to \$83.5 million on a combined basis for the year ended December 31, 2009 from \$119.9 million for the year ended December 31, 2008. Decreased subscriber equipment sales were primarily due to lower volumes driven largely by reduced demand for satellite equipment caused by the current economic downturn and customer defections from a competitor in 2008. In addition, we have decreased unit prices in response to competitive pressures and also to incent future growth in services revenue. Equipment volume could continue to be affected by increased competitive pressure and the economy in the near term. Subscriber equipment sales to the U.S. government through a non-government distributor may be negatively affected by significant changes in U.S. defense spending and usage under our agreements with the U.S. government, which are subject to annual renewals.

Operating Expenses

Total operating expenses increased by 8.1% to \$265.8 million on a combined basis for the year ended December 31, 2009 from \$245.8 million for the year ended December 31, 2008. This increase was due primarily to increased depreciation and amortization, increased cost of services (exclusive of depreciation and amortization) and increased transaction costs incurred to complete the Acquisition, offset by lower cost of subscriber equipment due to a decrease in sales and lower research and development expenses.

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Cost of Subscriber Equipment Sales

Cost of subscriber equipment sales generally includes the direct costs of equipment sold which are manufacturing costs, allocation of overhead, warranty costs and royalties paid for the subscriber equipment intellectual property.

Cost of subscriber equipment sales decreased by 23.2% to \$51.9 million on a combined basis for the year ended December 31, 2009 from \$67.5 million for the year ended December 31, 2008 due to a decrease in sales of subscriber equipment and lower manufacturing costs, partially offset by an \$8.9 million increase related to higher inventory values due to the Acquisition. Equipment volume could continue to be impacted by increased competitive pressure and the economy in the near term or changes in U.S. defense spending.

Cost of Services (exclusive of depreciation and amortization)

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

Cost of services (exclusive of depreciation and amortization) increased by 11.5% to \$77.9 million on a combined basis for the year ended December 31, 2009 from \$69.9 million for the year ended December 31, 2008, primarily due to increased engineering and support services related to government revenues, along with increased operations and maintenance expenses from annual price escalations in the long-term operations and maintenance agreement, or the O&M Agreement, between Iridium Constellation and the Boeing Company, or Boeing. We expect cost of services to slightly decrease in 2010 as our level of effort under government engineering and support services contracts decreases as work curtails.

Research and Development

Research and development expenses decreased by 28.6% to \$23.4 million on a combined basis for the year ended December 31, 2009 from \$32.8 million for the year ended December 31, 2008, primarily as a result of a significant decrease in expenses related to our L-Band Transceiver project and Iridium NEXT, and reduced spending on Iridium OpenPort, the development of which was completed in 2008. These decreases were partially offset by increases in expenses related to government handset upgrade projects and future gateway upgrade projects.

Depreciation and Amortization

Depreciation and amortization expenses increased by 158.2% to \$32.4 million on a combined basis for the year ended December 31, 2009 from \$12.5 million for the year ended December 31, 2008, primarily due to a \$17.8 increase to depreciation and amortization due to increased asset values related to acquisition accounting, and additional depreciation associated with new assets placed in service, primarily equipment and software for our satellite network operations center, gateway and corporate systems. We expect depreciation and amortization expense in 2010 to continue to be at levels significantly higher than in 2009 primarily due to higher asset values as a result of the Acquisition.

Selling, General and Administrative

Selling, general and administrative expenses generally include sales and marketing costs as well as legal, finance, information technology, facilities, billing and customer care expenses.

Selling, general and administrative expenses increased by 11.7% to \$61.5 million on a combined basis for the year ended December 31, 2009 from \$55.1 million for the year ended December 31, 2008 primarily due to accelerated vesting of employee share-based awards as a result of the Acquisition, an increase in bad debt expense, higher licensing and regulatory fees, and non-Acquisition legal fees, partially offset by decrease in travel expenses and consulting fees.

Transaction Costs

Transaction costs related to the Acquisition increased by 134.2% to \$18.6 million on a combined basis for the year ended December 31, 2009 from \$8.0 million for the year ended December 31, 2008. This increase was due to increased legal, accounting, and advisory fees for Iridium prior to the Acquisition.

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Other (Expense) Income

Change in Fair Value of Warrants

Change in fair value of warrants was \$34.1 million for the year ended December 31, 2009 on a combined basis and was \$0 for the year ended December 31, 2008. We determined that the exchange agreements entered into with the holders of warrants to purchase an aggregate of 26.8 million shares of our common stock were derivative instruments and the change in fair value of these warrants between the offer date and exchange date was recorded in 2009. We do not expect a change in future periods as these agreements have been settled.

Interest Expense, Net of Capitalized Interest

Interest expense decreased by 37.5% to \$13.2 million on a combined basis for the year ended December 31, 2009 from \$21.1 million for the year ended December 31, 2008. This decrease resulted from lower prevailing interest rates on the credit facilities and a lower outstanding balance on Iridium's debt as mandatory prepayments on the credit facilities were made in the fourth quarter of 2008 and the second quarter of 2009 pursuant to the amendment of the credit facilities agreement, which was paid off on September 30, 2009. If we are successful in obtaining third party debt financing to support a portion of our development of Iridium NEXT, our interest expense in 2010 could be significantly higher than in 2009.

Interest Income and Other Income (Expense), net

Interest income and other income (expense), net increased by \$2.1 million to \$2.0 million on a combined basis for the year ended December 31, 2009 from \$(0.1) million for the year ended December 31, 2008. This increase was primarily due to a reduction in the impact of foreign currency exchange transaction costs.

Income Tax Benefit

Prior to the completion of the Acquisition, Iridium was a limited liability company treated as a partnership for income tax purposes; therefore, the members were subject to income taxation and Iridium did not have any income tax benefit or provision for the period from January 1, 2009 to September 29, 2009 and for the year ended December 31, 2008. For the year ended December 31, 2009, we had an income tax benefit of \$1.3 million. In 2009, we had current tax expenses primarily driven by the non-deductibility of the change in the fair value of warrants and non-deductible transaction costs offset by a favorable change in the deferred tax balances due to the change in basis as a result of the Acquisition.

Comparison of Iridium's Results of Operations for the Years Ended December 31, 2008 and 2007

For comparison purposes, we have included a discussion of the operating results of Iridium (the predecessor entity) for the years ended December 31, 2008 and 2007. Management believes this presentation facilitates the evaluation and understanding of the results of Iridium's operations since our company conducted no material operating activities from the date of its formation as GHL Acquisition Corp. until the Acquisition.

Revenue

Total revenue increased by \$60.0 million, or approximately 23.0%, to \$320.9 million for the year ended December 31, 2008 from \$260.9 million for the year ended December 31, 2007, due principally to growth in total subscribers, increased commercial services revenue, increased subscriber equipment sales and increased contract revenue from the DoD as well as the renewal of its service agreements with the U.S. government and related fee increases. Total subscribers increased 36.6% from approximately 234,000 at December 31, 2007 to approximately 320,000 at December 31, 2008.

Government Services Revenue

Government services revenue increased by 17.3% to \$67.8 million for the year ended December 31, 2008 from \$57.8 million for the year ended December 31, 2007. This growth was driven primarily by an increase in engineering and support services revenue relating to several research and development agreements with the iGPS contract and other U.S. government agencies, including secondary payload research studies. The remaining growth was attributable to a 5.0% increase in user fees and higher gateway maintenance revenue as provided in Iridium's agreements with the U.S. government, which became effective April 1, 2008.

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	Iridium Year Ended			Government Services Iridium Year Ended			Year over Year Change		
	December 31, 2008			December 31, 2007					
	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers	ARPU
	(Revenue in millions and subscribers in thousands)								
Voice	\$ 52.2	29.4	\$ 145	\$ 48.6	30.7	\$ 137	\$ 3.6	(1.3)	\$ 8
M2M data	0.3	1.9	16	0.1	1.0	25	0.2	0.9	(9)
Engineering and support	15.3			9.1			6.2		
Total	\$ 67.8	31.3		\$ 57.8	31.7		\$ 10.0	(0.4)	

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

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

Commercial Services Revenue

Commercial services revenue increased by 31.6% to \$133.2 million for the year ended December 31, 2008 from \$101.2 million for the year ended December 31, 2007, due principally to growth in subscribers and associated usage and access fees resulting from increased overall demand for both voice and M2M data services as well as customer defections from a competitor.

	Iridium Year Ended			Commercial Services Iridium Year Ended			Year over Year Change		
	December 31, 2008			December 31, 2007					
	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers ⁽¹⁾	ARPU ⁽²⁾	Revenue	Subscribers	ARPU
	(Revenue in millions and subscribers in thousands)								
Voice	\$ 121.2	217.6	\$ 52	\$ 95.0	169.8	\$ 52	\$ 26.2	47.8	\$
M2M data ⁽³⁾	11.3	71.0	18	5.5	32.7	21	5.8	38.3	(3)
Other	0.7			0.7					
Total	\$ 133.2	288.6		\$ 101.2	202.5		\$ 32.0	86.1	

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

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

(3) 12.0 subscribers at December 31, 2008 and 4.4 subscribers at December 31, 2007 were M2M data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time.

Subscriber Equipment Sales

Subscriber equipment sales increased by 17.7% to \$119.9 million for the year ended December 31, 2008 from \$101.9 million for the year ended December 31, 2007. Increased subscriber equipment sales were driven principally by subscriber growth and the related increase in sales of Iridium's satellite handsets and Iridium 9601 data modem. Although the proportion of satellite handset sales relative to sales of Iridium's other lower priced devices decreased during the period, sales of Iridium's higher priced handsets grew in absolute terms, contributing significantly to growth in its revenue from subscriber equipment sales. Until the introduction of its Iridium OpenPort terminals, Iridium's satellite handsets had been its highest priced devices.

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Operating Expenses

Total operating expenses increased by 24.3% to \$245.8 million for the year ended December 31, 2008 from \$197.7 million for the year ended December 31, 2007. This increase was due primarily to increased costs of sales resulting from a growth in sales of Iridium's voice and data devices as well as increased research and development expenses related to the development of new subscriber equipment and services and Iridium NEXT. Total operating expenses for the period also increased as a result of higher selling, general and administrative expenses resulting from increased personnel expenses from growth in total employees resulting from its expansion and higher transaction costs as Iridium worked towards completing the Acquisition.

Cost of Subscriber Equipment Sales

Cost of subscriber equipment sales increased by 8.3% to \$67.6 million for the year ended December 31, 2008 from \$62.4 million for the year ended December 31, 2007, primarily as a result of subscriber growth and the related increase in sales of Iridium's voice and data devices, particularly its satellite handsets. Iridium's handsets have the highest production costs of all its devices, except for Iridium OpenPort. This increase in costs of sales was offset by a decrease in the cost of recognizing previously deferred subscriber equipment sales of \$8.4 million, or approximately 71.2%, to \$3.4 million for the period ended December 31, 2008, from \$11.8 million in 2007. Effective January 1, 2005, equipment sales and related costs are recognized when equipment title passes to the customer.

Cost of Services (exclusive of depreciation and amortization)

Cost of services (exclusive of depreciation and amortization) expenses increased by 9.9% to \$69.9 million for the year ended December 31, 2008 from \$63.6 million for the year ended December 31, 2007, primarily as a result of increased maintenance expenses with respect to Iridium's satellite network due to the annual price escalation clause in the O&M Agreement, higher fees for software licensing and maintenance, increased expenses related to engineering and support services related to the iGPS contract, and an increase in variable network costs, including termination costs.

Depreciation and Amortization

Depreciation and amortization expenses increased by 9.6% to \$12.5 million for the year ended December 31, 2008 from \$11.4 million for the year ended December 31, 2007, primarily as a result of additional depreciation associated with new equipment placed in service, including a new satellite earth station facility in Norway and equipment for Iridium's satellite network operations center and gateway.

Research and Development

Research and development expenses increased by 134.3% to \$32.8 million for the year ended December 31, 2008 from \$14.0 million for the year ended December 31, 2007, primarily as a result of increased expenses related to investments in new subscriber equipment and services, including Iridium's next generation satellite handset, L-Band transceiver and short burst data modem and Iridium OpenPort, as well as the development of Iridium NEXT.

Selling, General and Administrative

Selling, general and administrative expenses increased by 19.0% to \$55.1 million for the year ended December 31, 2008 from \$46.3 million for the year ended December 31, 2007, primarily as a result of higher legal, regulatory and accounting expenses in 2008 resulting from Iridium's increased personnel and other administrative expenses related to growth and pursuit of expansion opportunities.

Transaction Costs

Transaction costs were \$7.9 million for the year ended December 31, 2008. Transaction costs primarily include legal, accounting and consulting fees. There were no such costs for the year ended December 31, 2007.

Other (Expense) Income

Interest Expense, Net of Capitalized Interest

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Interest expense decreased by 3.2% to \$21.1 million for the year ended December 31, 2008 from \$21.8 million for the year ended December 31, 2007. This decrease resulted from lower outstanding balances on Iridium's first and second lien credit agreements.

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Interest Income and Other Income (Expense), net

Interest and other income decreased by 104.2% to (\$0.1) million for the year ended December 31, 2008 from \$2.4 million for the year ended December 31, 2007. This decrease was due to lower interest income resulting from a decrease in the interest earned on Iridium's cash and cash equivalents and short term investments offset by increased foreign currency transaction losses.

Liquidity and Capital Resources

Our principal sources of liquidity are existing cash and internally generated cash flow. Our principal liquidity requirements are to meet capital expenditure needs, including the development of Iridium NEXT, working capital, and research and development.

We believe that our sources of liquidity will provide sufficient funds for us to meet our liquidity requirements for 2010, exclusive of requirements in connection with the continued development of Iridium NEXT. We anticipate entering into contracts and making contractual commitments for the design, manufacturing and deployment of Iridium NEXT, which will require substantial capital in 2010 and thereafter. Prior to entering into commitments, we will need to secure financing.

We expect to fund a substantial portion of the costs associated with Iridium NEXT from internally generated cash flows, including potential revenues from secondary payloads hosted on our Iridium NEXT satellites, and from the proceeds generated from the exercise of outstanding stock purchase warrants. However, a portion of the warrants whose proceeds we expect to use to fund a portion of Iridium NEXT are currently under water, meaning they have an exercise price per share that, for certain of our warrants, is significantly higher than the current price at which our common stock is trading. In addition, none of the warrants are callable by us until such time as our stock trades at a per share price greater than \$14.25 for our \$7.00 warrants, or \$18.00 for our \$11.50 warrants, for an extended period of time. As of March 12, 2010 the closing price of our common stock was \$8.22 per share. Unless our stock price increases significantly, we would not expect the under-water warrants to be exercised and we will not be able to call any of the warrants. If we do not obtain such funds from internally generated cash flows, or from the net proceeds of future debt or equity financings, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities will be impaired. If future internally generated cash flows and revenue from hosting secondary payloads are below expectations, the cost of developing Iridium NEXT is higher than anticipated or warrant proceeds are not realized, we will require even more external funding than planned. Since we have not yet entered into an agreement with a prime contractor for Iridium NEXT, the exact amount and timing of the payments to be owed under any such agreement is uncertain. If the timing or amount of our payments under an agreement with our prime contractor are due sooner than expected or are larger than anticipated, we may not have sufficient liquidity to make those payments. Our ability to obtain additional funding for Iridium NEXT may be adversely impacted by a number of factors, including the global economic crisis and related tightening of the credit markets. We cannot assure you that we will be able to obtain such additional liquidity on reasonable terms, or at all. If we are not able to secure such financing, we would need to delay some or all of the elements of our Iridium NEXT development. Our liquidity and our ability to fund our liquidity requirements is also dependent on our future financial performance, which is subject to general economic, financial, regulatory and other factors that are beyond our control.

Cash and Indebtedness

Our total cash and cash equivalents were \$147.2 million at December 31, 2009 and we had \$12.0 million of external indebtedness to Motorola at December 31, 2009.

Cash Flows

The following section highlights our cash flows for the years ended December 31, 2009 and 2008, and for the period from November 2, 2007 (inception) to December 31, 2007, and Iridium's cash flows for the period from January 1, 2009 to September 29, 2009, or the 2009 Period, and the years ended December 31, 2008 and 2007:

Our Cash Flows

The following table shows our consolidated cash flows from operating, investing and financing activities for the years ended December 31, 2009 and 2008, and for the period from November 2, 2007 (inception) to December 31, 2007 (in millions):

Statements of Cash Flows

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	Year ended December 31, 2009	Year ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Cash flows provided by operating activities	\$ 23.2	\$ 2.1	\$
Cash flows provided by (used in) investing activities	354.5	(401.8)	
Cash flows (used in) provided by financing activities	(230.6)	399.7	0.2
Net increase in cash and cash equivalents	\$ 147.1	\$	\$ 0.2

Table of Contents*Cash Flows from Operating Activities*

Net cash provided by our operating activities for the year ended December 31, 2009 was \$23.2 million resulting from net income of \$10.2 million after adjusting for \$54.4 million of non-cash items and \$13.0 million generated from our working capital primarily due to a decrease in accounts receivable related to timing of collections, an increase in our allowance for doubtful accounts for certain customers, and a decrease in inventory related to inventory management.

Net cash provided by our operating activities for the year ended December 31, 2008 was \$2.1 million resulting from net income of \$0.5 million after adjusting for \$1.2 million of non-cash items, and \$1.6 million generated from our working capital.

There was no cash provided by or used in operating activities in the period from November 2, 2007 (inception) to December 31, 2007.

Cash Flows from Investing Activities

Net cash provided by investing activities for the year ended December 31, 2009 was \$354.5 million resulting from \$401.8 million of funds transferred from the trust account into operations and \$58.0 million of cash acquired from Iridium, offset in part by \$98.0 million paid to the sellers resulting from the Acquisition and \$7.4 million of capital expenditures related to equipment and software for our satellite and network operations, gateway and corporate systems.

Net cash used in investing activities for the year ended December 31, 2008 was \$401.8 million resulting primarily from \$400.0 million of funds from the initial public offering transferred to the trust account.

There was no cash provided by or used in investing activities in the period from November 2, 2007 (inception) to December 31, 2007.

Cash Flows from Financing Activities

Net cash used in financing activities in the year ended December 31, 2009 was \$230.6 million primarily resulting from \$164.9 million for the purchase of shares, a \$91.7 million payment to holders of common stock who elected to convert their shares into a pro rata portion of the trust account and repayments of all outstanding amounts under Iridium's credit facilities of \$113.6 million, partly offset by \$148.8 million in net proceeds from our public offering on September 29, 2009.

Net cash provided by financing activities in the year ended December 31, 2008 was \$399.7 million primarily resulting from the proceeds of the public offering on February 1, 2008 of \$400.0 million.

Net cash provided by financing activities in the period from November 2, 2007 (inception) to December 31, 2007 was \$0.2 million.

Iridium's Cash Flows

The following table shows Iridium's consolidated cash flows from operating, investing and financing activities for the 2009 Period, and the years ended December 31, 2008 and 2007 (in millions):

Statements of Cash Flows	2009 Period	Year ended December 31, 2008	Year ended December 31, 2007
Cash flows provided by operating activities	\$ 64.2	\$ 61.4	\$ 36.5
Cash flows used in investing activities	(7.7)	(13.9)	(19.8)
Cash flows used in financing activities	(23.3)	(44.8)	(26.5)
Net increase (decrease) in cash and cash equivalents	\$ 33.2	\$ 2.7	\$ (9.8)

Table of Contents*Cash Flows Provided by Operating Activities*

Iridium's net cash provided by operating activities for the 2009 Period increased to \$64.2 million from \$61.4 million for the year ended December 31, 2008. This increase of \$2.8 million was primarily attributable to less cash used by working capital due to the 2009 Period not including activity for the three months ended December 31, 2009 as a result of the Acquisition, lower inventory balances as demand slowed for equipment in the 2009 Period and inventory management processes, partially offset by timing of payments to vendors.

Net cash provided by operating activities for the year ended December 31, 2008 increased to \$61.4 million from \$36.6 million for the year ended December 31, 2007. This increase was attributable primarily to a \$10.1 million increase in net income, an \$11.1 million increase in working capital and a \$3.6 million increase in non-cash adjustments during the period. The increase in working capital primarily relates to a payment made to Boeing in 2007 in connection with Iridium's purchase of their right to receive distributions, which consequentially reduced its working capital for that period, as well as an increase in deferred revenue resulting from higher sales of its prepaid services and an increase in accounts payable due to the timing of payments to vendors. The increase in non-cash adjustments consists primarily of increases in depreciation and amortization and increases in other non-cash amortization and accretion.

Cash Flows Used in Investing Activities

Net cash used in investing activities for the 2009 Period decreased to \$7.7 million from \$13.9 million for the year ended December 31, 2008. This decrease was attributable primarily to lower capital costs related to equipment and software for Iridium's satellite and network operations, gateway and corporate systems, which were placed in service in 2008.

Iridium's capital expenditures consisted primarily of the hardware and software upgrades to maintain its ground infrastructure and a portion of the expenses related to the development of Iridium OpenPort. These also include upgrades to our billing system to enable customer billing of new products and services.

Net cash used in investing activities for the year ended December 31, 2008 decreased to \$13.9 million from \$19.8 million for the year ended December 31, 2007. This decrease was attributable primarily to lower development expenses related to Iridium's new high-speed data services, Iridium OpenPort.

Cash Flows Used in Financing Activities

Net cash used in financing activities for the 2009 Period decreased to \$23.3 million from \$44.8 million for the year ended December 31, 2008, primarily due to no cash distributions to its investors made in 2009 compared to \$41.4 million in 2008, partially offset by \$22.9 million of proceeds from the issuance of a convertible subordinated note to Greenhill & Co. Europe Holdings Limited, or Greenhill Europe, in 2008.

Net cash used in financing activities for the year ended December 31, 2008 increased to \$44.8 million from \$26.5 million for the year ended December 31, 2007. This increase was attributable due to \$41.4 million in distributions to its investors, partially offset by \$22.9 million of proceeds from the issuance of a convertible subordinated note to Greenhill Europe.

Contractual Obligations and Commitments

The following table summarizes our outstanding contractual obligations as of December 31, 2009:

Contractual Obligations:	Less than 1 Year	1-3 Years	3-5 Years (in millions)	More Than 5 Years	Total
Operating lease obligations	\$ 2.5	\$ 6.3	\$ 5.2	\$ 8.2	\$ 22.2
Unconditional purchase obligations (1)	71.0	105.6	92.4		269.0
Motorola payment obligations(2)	13.2				13.2
Deferred acquisition consideration(3)	4.6				4.6
Total	\$ 91.3	\$ 111.9	\$ 97.6	\$ 8.2	\$ 309.0

- (1) Unconditional purchase obligations include payments under our O&M Agreement with Boeing, our agreement with a supplier for the manufacturing of our devices and various commitments with other vendors. Certain amounts related to Iridium NEXT are not included as they are terminable or contingent upon the achievement of certain milestones, which may or may not be achieved. As a result, the minimum commitment cannot be determined.

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- (2) The table above reflects obligations due on December 11, 2010 to Motorola pursuant to the transition services, products and asset agreement, or the TSA, by and among Motorola, Iridium Holdings and Iridium Satellite, and our Senior Subordinated Term Loan Agreement with Motorola, or the Note Agreement, which may be accelerated if the Acquisition constitutes a triggering event. In addition, we may be required to make an additional payment of cash if the Acquisition constitutes a triggering event, distribution event, change of control or other specified transaction under the TSA and Note Agreement. Any such payment is not reflected in the table above because it is uncertain whether we owe it or what the amount would be. Motorola has recently filed a complaint in Illinois state court seeking payment of some of these payments. For more information, see [Legal Proceedings](#) and [Risk Factors](#). Our agreements with Motorola contain potential payment provisions that may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments.
- (3) Certain former members of Iridium deferred their tax benefit payments related to the Acquisition until 2010. Payment was made to these former members in January 2010.

Off-Balance Sheet Transactions

We do not currently have, nor have we or Iridium had in the last three years, any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Seasonality

Our results of operations have been subject to seasonal usage changes for commercial customers and our results will be affected by similar seasonality going forward. April through October are typically the peak months for commercial voice services revenue and related subscriber equipment sales. U.S. government revenue and commercial M2M revenue are less subject to seasonal usage changes.

Related Party Transactions

For a description of related party transactions, see [Certain Relationships and Related Party Transactions](#) and [Director Independence](#).

Accounting Developments

In June 2009, the Financial Accounting Standards Board, or FASB, issued accounting guidance on financial reporting by companies involved with variable interest entities. The new guidance requires a company to perform an analysis to determine whether the company's variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, a company is required to assess whether it has implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The new guidance also requires enhanced disclosures that provide more transparent information about a company's involvement with a variable interest entity. The new guidance is effective for us beginning with 2010. We have not yet determined the impact of the adoption of the new guidance on our financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*, or ASU 2009-13. ASU 2009-13 amends existing accounting guidance for separating consideration in multiple-deliverable arrangements. ASU 2009-13 establishes 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 the estimated selling price if neither vendor-specific evidence nor third-party evidence is available. ASU 2009-13 eliminates the residual method of allocation and requires that consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionately to each deliverable on the basis of each deliverable's selling price. ASU 2009-13 requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a stand-alone basis. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. We have not yet determined the impact of the adoption of ASU 2009-13 on our financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update 2009-14, *Software (Topic 985) Certain Revenue Arrangements That Include Software Elements, a consensus of the FASB Emerging Issues Task Force*, or ASU 2009-14. ASU 2009-14 changes the accounting for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and non-software components, that function together to deliver the tangible product's essential functionality, are no longer within the scope of existing software revenue guidance. ASU 2009-14

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requires that hardware components of a tangible product containing software components always be excluded from the software revenue guidance, and provides guidance on how to determine which software, if any, relating to the tangible product also would be excluded from the scope of the software revenue guidance. ASU 2009-14 also requires that if software contained in the tangible product is essential to the tangible product's functionality, the software is excluded from the scope of the software revenue guidance. This exclusion includes essential software that is sold with or embedded within the tangible products essential software. ASU 2009-14 also provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that include both tangible products and software. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. We have not yet determined the impact of the adoption of ASU 2009-14 on our financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We believe we do not face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of this cash is swept nightly into a money market fund with a diversified portfolio. We perform credit evaluations of our customers financial condition and records reserves to provide for estimated credit losses. Accounts receivable are due from both domestic and international customers. We maintain our cash and cash equivalents with financial institutions with high credit ratings. We maintain deposits in federally insured financial institutions in excess of federally insured (FDIC) limits.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Iridium Communications Inc.

We have audited the accompanying consolidated balance sheets of Iridium Communications Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Iridium Communications Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company changed its method of accounting for business combinations with the adoption of the guidance originally issued in FASB Statement No. 141(R), *Business Combinations* (codified in FASB ASC Topic 805, *Business Combinations*) effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Iridium Communications Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

March 16, 2010

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholder of GHL Acquisition Corp.

We have audited the accompanying statements of operations, changes in stockholder's equity and cash flows for the period from November 2, 2007 (Inception) to December 31, 2007 of Iridium Communications Inc., formerly known as GHL Acquisition Corp. (A Corporation in the Development Stage) (the Company). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform and we did not perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows for the period from November 2, 2007 (Inception) to December 31, 2007 of Iridium Communications Inc., formerly known as GHL Acquisition Corp. in conformity with United States generally accepted accounting principles.

/s/ Eisner LLP

New York, New York

March 28, 2008

Table of Contents**Iridium Communications Inc.****Consolidated Balance Sheets****(In thousands, except share and per share data)**

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 147,178	\$ 129
Accounts receivable, net of allowance for doubtful accounts of \$1,462 and \$0, respectively	41,189	
Inventory	25,656	
Deferred tax assets	2,600	
Prepaid expenses and other current assets	4,433	14
Total current assets	221,056	143
Property and equipment, net	386,737	
Restricted cash	15,520	
Investments held in trust at broker, including accrued interest of \$110		401,839
Deferred tax assets		1,168
Intangible assets, net	88,953	
Other assets	1,127	
Goodwill	95,439	
Total assets	\$ 808,832	\$ 403,150
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 7,865	\$
Accrued expenses and other current liabilities	30,893	1,611
Accrued compensation and employee benefits	6,489	
Deferred revenue	20,027	
Deferred acquisition consideration	4,636	
Deferred underwriter commissions		11,288
Total current liabilities	69,910	12,899
Accrued satellite operations and maintenance expense, net of current portion	15,300	
Deferred tax liabilities	94,999	
Other long-term liabilities	923	
Total liabilities	181,132	12,899
Commitments and contingencies		
Common stock subject to possible conversion		119,988
Stockholders equity:		
Preferred stock, \$0.0001 par value, 2,000,000 shares authorized and none issued or outstanding		
Common stock, \$0.001 par value 300,000,000 shares authorized and 70,247,701 and 48,500,000 issued and outstanding at December 31, 2009 and 2008, respectively	70	48
Additional paid-in capital	670,116	268,563
Retained (deficit) earnings	(42,508)	1,652
Accumulated other comprehensive income	22	
Total stockholders equity	627,700	270,263

Total liabilities and stockholders equity	\$ 808,832	\$ 403,150
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See notes to consolidated financial statements

Table of Contents**Iridium Communications Inc.****Consolidated Statements of Operations****(In thousands, except per share amounts)**

	Year Ended December 31, 2009	Year Ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Revenue:			
Services:			
Government	\$ 19,159	\$	\$
Commercial	39,537		
Subscriber equipment	17,293		
Total revenue	75,989		
Operating expenses:			
Cost of subscriber equipment sales	18,657		
Cost of services (exclusive of depreciation and amortization)	18,965		
Research and development	5,974		
Depreciation and amortization	21,513		
Selling, general and administrative	17,029	490	4
Transaction costs	6,163	2,102	
Total operating expenses	88,301	2,592	4
Operating loss	(12,312)	(2,592)	(4)
Other (expense) income:			
Change in fair value of warrants	(34,117)		
Interest expense	(355)		
Interest income and other income (expense), net	1,303	5,604	
Total other (expense) income	(33,169)	5,604	
(Loss) earnings before income tax (benefit) provision	(45,481)	3,012	(4)
Income tax (benefit) provision	(1,321)	1,356	
Net (loss) income	\$ (44,160)	\$ 1,656	\$ (4)
Weighted average shares outstanding basic and diluted	53,964	43,268	11,500
(Loss) earnings per share basic and diluted	\$ (0.82)	\$ 0.04	\$ (0.00)

See notes to consolidated financial statements

Table of Contents**Iridium Communications Inc.****Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income (Loss)****For the Period from November 2, 2007 (Inception) to December 31, 2009****(In thousands, except share data)**

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated Retained Earnings	Total Stockholders	Comprehensive Income (Loss)
	Shares	Amount	Capital	Income	(Deficit)	Equity	
Balance at November 2, 2007 (Inception)		\$	\$	\$	\$	\$	
Net proceeds from issuance of units	11,500,000	11	14			25	
Net loss					(4)	(4)	\$ (4)
Balance at December 31, 2007	11,500,000	11	14		(4)	21	
Total for the year ended December 31, 2007							\$ (4)
Net proceeds from initial public offering of units (excludes \$119,988 of proceeds allocable to 11,999,999 shares of common stock subject to possible conversion)	40,000,000	40	260,546			260,586	
Proceeds from sale of stock purchase warrants			8,000			8,000	
Forfeiture of common stock	(3,000,000)	(3)	3				
Net income					1,656	1,656	\$ 1,656
Balance at December 31, 2008	48,500,000	48	268,563		1,652	270,263	
Total for the year ended December 31, 2008							\$ 1,656
Payment of deferred underwriters fees			6,982			6,982	
Purchase of stock purchase warrants			(1,828)			(1,828)	
Net proceeds from issuance of common stock	16,000,000	16	148,734			148,750	
Fair value of stock issued in Acquisition	29,443,500	29	333,419			333,448	
Purchase of common stock	(9,169,979)	(9)	28,298			28,289	
Purchase of common stock under forward purchase contracts	(16,325,196)	(16)	(164,868)			(164,884)	
Forfeitures of stock options and warrants	(1,441,176)	(1)	1				
			(28,555)			(28,555)	

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Reclassification of warrants to derivative instruments								
Settlement of derivative instruments for warrants			47,110				47,110	
Settlement of derivative instruments for shares of common stock	1,244,923	1	12,448				12,449	
Stock-based compensation			436				436	
Stock issued upon conversion of subordinated convertible note	1,995,629	2	19,376				19,378	
Net loss						(44,160)	(44,160)	\$ (44,160)
Cumulative translation adjustments					22		22	22
Balance at December 31, 2009	70,247,701	\$ 70	\$ 670,116	\$	22	\$ (42,508)	\$ 627,700	
Total for the year ended December 31, 2009								\$ (44,138)

See notes to consolidated financial statements

Table of Contents**Iridium Communications Inc.****Consolidated Statements of Cash Flows****(In thousands, except share and per share data)**

	Year Ended December 31, 2009	Year Ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Cash flows from operating activities:			
Net (loss) income	\$ (44,160)	\$ 1,656	\$ (4)
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash items included in net income:			
Deferred taxes	(1,711)	(1,168)	
Change in market value of warrants	34,117		
Depreciation and amortization	21,513		
Stock-based compensation	436		
Changes in operating assets and liabilities:			
Accounts receivable, net	5,382		
Inventory	15,044		
Prepaid expenses and other current assets	(2,185)	(12)	
Income tax receivable		(3)	
Other noncurrent assets	35		
Accounts payable	3,584		
Accrued expenses and other current liabilities	(5,260)	1,613	4
Accrued compensation and employee benefits	(3,997)		
Deferred revenue	2,127		
Accrued satellite and network operations expense, net of current portion	(1,020)		
Other long-term liabilities	(737)		
Net cash provided by operating activities	23,168	2,086	
Cash flows from investing activities:			
Changes in investment in trust account	401,838	(401,838)	
Capital expenditures	(7,351)		
Cash paid for acquisition, net of cash acquired	(39,950)		
Net cash provided by (used in) investing activities	354,537	(401,838)	
Cash flows from financing activities:			
Proceeds from public offerings	149,600	400,000	
(Purchase) proceeds from issuance of private placement warrants	(4,940)	8,000	
Purchase of shares	(164,884)		
Purchase of shares for no-votes	(91,700)		
Payment of underwriting fee	(4,288)	(6,900)	
Payment of costs associated with offering	(850)	(1,147)	
Deferred offering costs			(91)
(Payment) proceeds from note payable to related party		(256)	250
Proceeds from sale of founder units			25
Payments under credit facility	(113,594)		

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Net cash (used in) provided by financing activities	(230,656)	399,697	184
Net increase (decrease) in cash and cash equivalents	147,049	(55)	184
Cash and cash equivalents, beginning of period	129	184	
Cash and cash equivalents, end of period	\$ 147,178	\$ 129	\$ 184

Supplemental cash flow information:

Interest paid	\$ 1,330	\$ 6	\$
Income taxes paid	\$ 339	\$ 2,527	\$

Supplemental disclosure of non-cash investing activities:

Shares issued for the acquisition of Iridium Holdings (29,443,500 shares at \$11.325 per share)	\$ 333,448	\$	\$
Accrual of additional consideration for acquisition of Iridium Holdings	\$ 4,636	\$	\$
Property and equipment received but not paid for at year-end	\$ 3,200	\$	\$

Supplemental disclosure of non-cash financing activities:

Accrued deferred offering costs	\$	\$	\$ 225
(Reversal) accrual of deferred underwriter commissions	\$ (8,176)	\$ 11,288	\$
Conversion of subordinated convertible note to equity	\$ (19,378)	\$	\$

See notes to consolidated financial statements

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Iridium Communications Inc.

Notes to Consolidated Financial Statements

December 31, 2009

1. Organization and Basis of Presentation

Iridium Communications Inc. (the Company) was formed as GHL Acquisition Corp., a special purpose acquisition company as further described below. The Company acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC (Iridium Holdings) and, together with its direct and indirect subsidiaries, Iridium) in a transaction accounted for as a purchase business combination on September 29, 2009 (the Acquisition). In accounting for the Acquisition, the Company was deemed the legal and accounting acquirer. On September 29, 2009, the Company changed its name to Iridium Communications Inc. For the purposes of presenting consolidated financial statements as of and for the year ended December 31, 2009, management has determined that the results of Iridium's operations for the one-day period from the closing of the Acquisition to September 30, 2009 was not material. Accordingly, the Company's consolidated statements of operations and cash flows for the year ended December 31, 2009 includes the Company's pre-Acquisition operations for the nine months ended September 30, 2009, which excludes any results of Iridium, and the Company's post-Acquisition operations for the three months ended December 31, 2009. The Company's consolidated statements of operations and cash flows for the year ended December 31, 2008 and for the period from November 2, 2007 (inception) to December 31, 2007 include solely the results of the Company's pre-Acquisition operations, and do not include any results of Iridium. The Company's consolidated balance sheet as of December 31, 2009 includes the assets and liabilities of the Company and of Iridium, as further described below. All significant intercompany accounts and transactions have been eliminated in consolidation.

Iridium is considered the predecessor of the Company and, accordingly, its historical financial statements are separately presented as predecessor financial statements.

The Company was formed on November 2, 2007 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination. All activity from November 2, 2007 (inception) through February 21, 2008 relates to the Company's formation and initial public offering. From February 21, 2008 through September 29, 2009, the Company's activities were limited to identifying prospective target businesses to acquire and with which to complete a business combination. On September 29, 2009, the Company consummated the Acquisition and, as a result, is no longer in the development stage.

Iridium Holdings was formed under the laws of Delaware in 2000 as a limited liability company pursuant to the Delaware Limited Liability Company Act. On December 11, 2000, Iridium Holdings acquired certain satellite communication assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement.

As a result of and subsequent to the Acquisition, the Company is a provider of mobile voice and data communications services via satellite. The Company holds various licenses and authorizations from the Federal Communications Commission (the FCC) and from international regulatory bodies that permit the Company to conduct its business, including the operation of its satellite constellation. The Company offers voice and data communications services and products to businesses, U.S. and international government agencies and other customers on a global basis.

2. Significant Accounting Policies and Basis of Presentation

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries, and variable interest entities for which the Company is the primary beneficiary. All intercompany transactions and balances have been eliminated.

Reclassifications

Certain amounts presented as professional fees and other operating expenses in prior periods have been reclassified to selling, general and administrative and transaction costs to conform to the current year presentation. These reclassifications had no effect on the Company's net income for the years ended December 31, 2009 and 2008, and the period from November 2, 2007 (inception) to December 31, 2007.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ materially from those estimates.

Financial Instruments

The consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, investments held in trust, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities, and other obligations). Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

Level 1, defined as observable inputs such as quoted prices in active markets for identical assets;

Level 2, defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Additional information regarding fair value is disclosed in Note 13.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of this cash is swept nightly into a money market fund with a diversified portfolio. The Company performs credit evaluations of its customers' financial condition and records reserves to provide for estimated credit losses. Accounts receivable are due from both domestic and international customers (see Note 12). The Company maintains its cash and cash equivalents with financial institutions with high credit ratings, although at times the Company maintains deposits in federally insured financial institutions in excess of federally insured (FDIC) limits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash and cash equivalents balances at December 31, 2009 and 2008 consisted of cash deposited in institutional money market mutual funds and regular interest bearing and non-interest bearing depository accounts and certificates of deposits with commercial banks.

Restricted Cash

Restricted cash of \$15.5 million as of December 31, 2009, primarily relates to a letter of credit as collateral for de-orbit costs.

Accounts Receivable

Trade accounts receivable are generally recorded at the invoiced amount and are subject to late fee penalties. The Company had \$1.5 million in its allowance for doubtful accounts at December 31, 2009. Management develops its estimate of this allowance based on the Company's experience with specific customers, aging of outstanding invoices, its understanding of their current economic circumstances and its own judgment as to the likelihood that the Company will ultimately receive payment. The Company writes off its accounts receivable when balances are deemed uncollectible.

Foreign Currencies

The functional currency of the Company's foreign consolidated subsidiaries is their local currency. Assets and liabilities of its foreign subsidiaries are translated to United States dollars based on exchange rates at the end of the reporting period. Income and expense items are translated at the weighted average exchange rates prevailing during the reporting period. Translation adjustments are accumulated in a separate component of stockholders' equity. Transaction gains or losses are classified as Interest income and other income (expense), net in the consolidated statements of operations.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009****Inventory**

Inventory consists primarily of finished goods including Iridium OpenPort terminals, handsets, L-Band transceivers, data devices, related accessories, and replacement parts to be sold to customers to access Company services. The Company also has raw materials from third-party manufacturers (see Note 10). The Company outsources manufacturing of subscriber equipment primarily to a third-party manufacturer and purchases accessories from third-party suppliers. The Company's cost of inventory includes an allocation of overhead (including salaries and benefits of employees directly involved in bringing inventory to its existing condition, scrap, tooling and freight). Inventories are valued using the average cost method, and are carried at the lower of cost or market.

Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation at fair value; accordingly the Company expenses the estimated fair value of stock-based awards made in exchange for employee services over the requisite employee service period. Stock-based compensation cost is determined at the grant date using the Black-Scholes option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee's requisite service period and is classified in the statement of operations in a manner consistent with the statement of operations classification of the employee's salaries and other compensation as follows:

	Year Ended December 31, 2009 (In thousands)
Cost of services (exclusive of depreciation and amortization)	\$ 26
Selling, general and administrative	410
	\$ 436

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Satellite system	14 years
Terrestrial system	7 years
Equipment	3 - 5 years
Gateway system	5 years
Internally developed software and purchased software	3 - 7 years
Building	39 years
Leasehold improvements	shorter of useful life or remaining lease term

Repairs and maintenance costs are expensed as incurred.

Long-Lived Assets

The Company assesses the impairment of long-lived assets when indicators of impairment are present. Recoverability of assets is measured by comparing the carrying amounts of the assets to the future undiscounted cash flows expected to be generated by the assets. Any impairment loss

would be measured as the excess of the assets' carrying amount over their fair value. Fair value is based on market prices where available, an estimate of market value or various valuation techniques.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually or more frequently if indicators of potential impairment exist. If the fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized.

Intangible Assets Not Subject to Amortization

A significant portion of the Company's intangible assets are spectrum and licenses, and trade names which are indefinite-lived intangible assets. The Company reevaluates the useful life determination for these assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. The Company tests its indefinite-lived intangible assets for potential impairment annually or more frequently if indicators of impairment exist. If the fair value of the indefinite-lived asset is less than the carrying amount, an impairment loss is recognized.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Intangible Assets Subject to Amortization

The Company's intangible assets that do have finite lives (primarily customer relationships—government and commercial, core developed technology and software) are amortized over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indicators were present, the Company would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount (i.e., the asset is not recoverable), the Company would perform the next step, which is to determine the fair value of the asset and record an impairment loss, if any. The Company reevaluates the useful lives for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives.

Asset Retirement Obligations

Liabilities arising from legal obligations associated with the retirement of long-lived assets are required to be measured at fair value and recorded as a liability. Upon initial recognition of a liability for retirement obligations, a company must record an asset, which is depreciated over the life of the asset to be retired.

Under certain circumstances, each of the U.S. government, The Boeing Company (Boeing) and Motorola, Inc. (Motorola) has the unilateral right to require the de-orbit of the Company's satellite constellation. In the event the Company was required to effect a mass de-orbit, the Company, pursuant to the amended and restated operations and maintenance agreement by and between Iridium Constellation LLC (Iridium Constellation) and Boeing (the O&M Agreement), would be required to pay Boeing \$16.0 million, plus an amount equivalent to the premium for inception of Section B de-orbit insurance coverage (\$2.5 million as of December 31, 2009). The Company has concluded that each of the foregoing de-orbit rights meets the definition of a legal obligation and currently does not believe the U.S. government, Boeing or Motorola will exercise their respective de-orbit rights. As a result, the Company believes the likelihood of any future cash outflows associated with the mass de-orbit obligation is remote. Accordingly, the Company has not recorded an asset retirement obligation relating to the potential de-orbit rights in its consolidated balance sheet.

There are other circumstances in which the Company could be required, either by the U.S. government or for technical reasons, to de-orbit an individual satellite; however, the Company believes that such costs would not be significant relative to the costs associated with the ordinary operations of the satellite constellation.

Revenue Recognition

The Company derives its revenue primarily as a wholesaler of satellite communications products and services. The primary types of revenue include (i) services revenue (access and usage-based airtime fees) and (ii) subscriber equipment revenue. Additionally, the Company generates revenue by providing engineering and support services to commercial and government customers.

Wholesaler of satellite communications products and services

Pursuant to wholesale agreements, the Company sells its products and services to service providers who, in turn, sell the products and services to other distributors or directly to the end-users. Generally, the Company recognizes revenue when services are performed or delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, and collection is probable, as follows:

Contracts with multiple elements

At times, the Company sells subscriber equipment through multi-element contracts that bundle subscriber equipment with airtime services. When the Company sells subscriber equipment and airtime services in bundled arrangements that include guaranteed minimum orders and determines that it has separate units of accounting, the Company allocates the bundled contract price among the various contract deliverables

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based on each deliverable's relative fair value. The Company determines vendor specific objective evidence of fair value by assessing sales prices of subscriber equipment and airtime services when they are sold to customers on a stand-alone basis.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Services revenue sold on a stand-alone basis

Services revenue is generated from the Company's service providers through usage of its satellite system and through fixed monthly access fees per user charged to service providers. Revenue for usage is recognized when usage occurs. Revenue for fixed-per-user access fees is recognized ratably over the period in which the services are provided to the end-user. Revenue from prepaid services is recognized when usage occurs or, if not used, when the customer's right to access the unused prepaid services expires. The Company does not offer refund privileges for unused prepaid services. Deferred prepaid services revenue and access fees are typically earned and recognized as income within one year of customer prepayment. Based on historical information for prepaid scratch card services that do not have an initial expiration date, the Company records breakage associated with prepaid scratch card account balances for which the likelihood of redemption is remote, which is generally determined after 36 months from issuance.

Subscriber equipment sold on a stand-alone basis

The Company recognizes subscriber equipment sales and the related costs when title to the equipment (and the risks and rewards of ownership) passes to the customer, typically upon shipment.

Services and subscriber equipment sold to the U.S. government

The Company provides airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for unlimited voice services, (ii) fixed monthly fees per user for unlimited paging services and (iii) a tiered pricing plan (based on usage) per device for data services. Revenue related to these services is recognized ratably over the periods in which the services are provided, and costs are expensed as incurred. The U.S. government purchases its equipment from third-party service providers and not directly from the Company.

Government engineering and support services

The Company provides maintenance services to the U.S. government's dedicated gateway in Hawaii. This revenue is recognized ratably over the periods in which the services are provided; costs are expensed as incurred.

Other government and commercial engineering and support services

The Company also provides certain engineering services to assist customers in developing new technologies for use on the Company's satellite system. The revenue associated with these services is recorded when the services are rendered, typically on a percentage of completion method of accounting based on the Company's estimate of total costs expected to complete the contract, and costs are expensed as incurred. Revenue on cost-plus-fixed-fee contracts is recognized to the extent of estimated costs incurred plus the applicable fees earned. The Company considers fixed fees under cost-plus-fixed-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Warranty Expense

The Company generally provides its customers a warranty on subscriber equipment for one to two years from the date of activation, depending on the product. A warranty accrual is made when it is estimable and probable that a loss has been incurred. A warranty reserve is maintained based on historical experience of warranty costs and expected occurrences of warranty claims on equipment. Costs associated with warranties are recorded as cost of subscriber equipment sales and include equipment replacements, repairs and program administration.

**Year Ended
December 31, 2009**

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	(In thousands)
Balance at beginning of the year	\$
Provision assumed from Acquisition	(661)
Provision	(185)
Utilization	120
Balance at end of the year	\$ (726)

Research and Development

Research and development costs are charged as an expense in the period in which they are incurred.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Advertising Costs

Costs associated with advertising and promotions are expensed as incurred. Advertising expenses were \$0.3 million for the year ended December 31, 2009. There were no such costs in the year ended December 31, 2008 or for the period from November 2, 2007 (inception) to December 31, 2007.

Income Taxes

The Company accounts for income taxes using the asset and liability approach, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax basis of its assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company also recognizes a tax benefit from uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. The Company's policy is to recognize interest and penalties on uncertain tax positions as a component of income tax expense.

Earnings Per Share

The Company calculates basic earnings (loss) per share by dividing net income (loss) by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings (loss) per share takes into account the effects of potential dilutive common shares when they are dilutive. Potential dilutive common shares consisting of common stock issuable upon exercise of outstanding stock options and warrants are computed using the treasury stock method.

Accounting Developments

In December 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance on business combinations that requires the acquiring entity to record all assets acquired and liabilities assumed at their respective acquisition-date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. The accounting guidance also requires additional disclosure of information surrounding a business combination, such that users of the entity's financial statements can fully understand the nature and financial impact of the business combination. The Company adopted the accounting guidance for business acquisitions effective January 1, 2009.

In August 2009, the FASB issued Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value (ASU 2009-05). ASU 2009-05 clarifies that in circumstances in which a quoted market price in an active market for the identical liability is not available; a reporting entity is required to measure fair value using one of several acceptable valuation techniques. ASU 2009-05 also clarifies (i) that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustments to other inputs relating to the existence of a restriction that prevents the transfer of the liability and (ii) that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. ASU 2009-05 is effective in the fourth quarter of 2009. The Company adopted ASU 2009-05 in the fourth quarter of 2009 with no material impact on its financial position or results of operations.

3. Business Combination

On September 22, 2008, the Company entered into a transaction agreement, as amended on April 28, 2009 (the Transaction Agreement), with Iridium Holdings and its members whereby it agreed to purchase, directly or indirectly, all of the outstanding equity of Iridium Holdings. The Acquisition closed on September 29, 2009. For the purpose of acquisition accounting, total consideration of approximately \$436.0 million included 29.4 million shares of the Company's common stock (Common Stock) valued at \$333.4 million and \$102.6 million in cash (which included a requirement to make a payment of \$25.5 million in cash to some of the former members of Iridium Holdings for tax benefits the

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Company received, payable on December 29, 2009). At December 31, 2009, approximately \$4.6 million of such future tax benefit cash payment was still an outstanding payable to certain former members of Iridium Holdings who deferred the payments until 2010. This amount was paid in January 2010. The Company accounted for its business combination with Iridium Holdings by recording all assets acquired and liabilities assumed at their respective fair values on the date of Acquisition. The Company recognized deferred tax assets and liabilities for the tax effects of the differences between assigned book values and tax bases of assets acquired and liabilities assumed in the Acquisition. As a result, the Company recorded a net deferred tax asset current of \$3.0 million and a net deferred tax liability non-current of \$98.2 million.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

The fair value was based on the market price of the Company's Common Stock on September 29, 2009. The total consideration for Iridium Holdings was \$436.0 million, as follows:

	(In thousands)
Cash	\$ 77,100
Equity	333,448
Cash related to tax benefit	25,500
Total	\$ 436,048

After the September 30, 2009 financial statements were issued, the Company received and relied in part on a valuation report from a third-party valuation firm. After considering the results of that valuation report and further analysis, the Company has retrospectively updated the estimated fair value of the assets and liabilities assumed in the Acquisition on September 29, 2009. The fair values are based on the Company's estimates and may be further adjusted from time to time but no later than September 29, 2010, as better information becomes available. The following represents the allocation of the purchase price:

	Estimated Fair Value	
	As Reported on September 30, 2009	As of December 31, 2009
	(In thousands)	
Assets:		
Cash and cash equivalents	\$ 58,015	\$ 58,015
Restricted cash	15,520	15,520
Accounts receivable	46,571	46,571
Other current assets	2,236	2,236
Inventory	32,045	40,700
Property and equipment	394,709	394,800
Intangible assets	87,758	91,852
Goodwill	75,464	95,439
Deferred tax assets	3,781	2,972
Other assets	1,161	1,162
Total assets	717,260	749,267
Liabilities:		
Accounts payable	4,281	4,281
Accrued liabilities	42,686	37,917
Deferred revenue	10,593	17,900
Accrued satellite operations and maintenance	15,218	20,400
Credit facility	113,593	113,594
Convertible subordinated note	16,723	19,300
Deferred tax liabilities	75,879	98,249
Other liabilities	2,239	1,578

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Total liabilities	281,212	313,219
Net assets acquired	\$ 436,048	\$ 436,048

Property and Equipment. Property and equipment acquired in the Acquisition is depreciated using the straight-line method as follows:

	Estimated Fair Value (In thousands)	Useful Lives
Depreciable assets:		
Satellite system	\$ 333,450	5 years
Terrestrial system	3,963	5 years
Equipment	10,349	1 - 5 years
Gateway system	2,568	5 years
Internally developed software and purchased software	1,043	1 year
Building	20,021	39 years
Building improvements	2,408	5 years
Leasehold improvements	2,446	6.5 years
Total	\$ 376,248	
Additional asset categories not included above:		
Construction in progress	10,608	
Land	7,944	
Total	\$ 394,800	

Goodwill. The total consideration paid in the Acquisition exceeded the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, resulting in approximately \$95.4 million of goodwill.

Pre-Acquisition Contingency. Iridium had certain contractual contingencies under agreements in effect as of the date of the Acquisition that the Company has recorded at their estimated fair value at the time of the Acquisition. Some of the contingencies relate to potential payments pursuant to the occurrence of a distribution event, change of control or other specified transactions, and other matters. The Company believes that it is unclear whether the foregoing provisions were intended to apply to a similar transaction such as the Acquisition (see Note 6). The estimated fair value of the pre-Acquisition contractual contingencies at the date of the Acquisition was \$11.7 million and was reflected as a liability in the consolidated balance sheet on the Acquisition date.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009****Transaction Costs**

An acquirer is required to recognize as expense the direct costs of a business combination in the period in which the expense is incurred. Accordingly, the Company has been expensing Acquisition-related costs as they have been incurred during the pre-Acquisition periods presented. The Company incurred a total of approximately \$8.3 million of Acquisition-related costs, including \$6.2 million in 2009.

Revenue and Loss of Iridium

The amount of revenue and loss of Iridium included in the Company's consolidated statement of operations for the period from the date of the Acquisition to December 31, 2009 are as follows (in thousands):

Revenue	\$ 75,989
Net loss	\$ (4,749)

Pro Forma Information (Unaudited)

The following table contains unaudited pro forma consolidated statements of operations information of the Company for years ended December 31, 2009 and 2008 as if the Acquisition had occurred as of January 1, 2009 and January 1, 2008, respectively:

	For the Year Ended December 31,	
	2009	2008
	(In thousands, except per share amounts)	
Total revenue	\$ 320,616	\$ 320,944
Net income	\$ (38,986)	\$ (8,367)
Basic and diluted net loss per common share	\$ (0.57)	\$ (0.12)
Weighted average shares outstanding - basic and diluted	68,252	68,252

The pro forma information may not be indicative of the results of operations that would have actually occurred had the Acquisition occurred as presented. Also, future results may vary significantly from the results reflected in such pro forma information.

4. Equity Transactions*2007 Private Unit Offering*

In November 2007, the Company issued 11.5 million units for an aggregate purchase price of \$25,000 to its founding stockholder. Each unit consisted of one share of Common Stock and one Common Stock purchase warrant. Each warrant entitled the holder to purchase from the Company one share of Common Stock at a price of \$7.50 per share commencing on the later of the completion of a Business Combination (as defined in the warrant agreements) or 12 months from the effective date of a Public Offering (as defined in the warrant agreements), subject to certain conditions, and expiring five years from the effective date of the Public Offering or earlier upon redemption or liquidation of the Company's trust account established in connection with a Public Offering (the Trust Account).

2008 Initial Public Offering

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In February 2008, the Company sold in its initial public offering (IPO) 40.0 million units at a price of \$10.00 per unit. Each unit consisted of one share of Common Stock and one Common Stock purchase warrant. Each warrant entitled the holder to purchase from the Company one share of Common Stock at a price of \$7.00 per share commencing on the later of the completion of a Business Combination or 12 months from the effective date of the Public Offering and expiring five years from the effective date of the Public Offering or earlier upon redemption or liquidation (as defined in the warrant agreements) of the Trust Account. Total underwriting fees, including contingent fees, related to the IPO were approximately \$23.3 million. The Company paid \$6.9 million upon closing of the IPO. The underwriters agreed that approximately 70% of the underwriting fees would not be payable unless and until the Company completed a Business Combination (as defined in the underwriting agreement), and they waived their right to receive such payment upon the Company's liquidation if the Company was unable to complete a Business Combination. On June 2, 2009, the Company entered into an agreement with Banc of America Securities LLC and its affiliate pursuant to which Banc of America Securities LLC waived its right to receive approximately \$8.2 million of deferred underwriting fees. On September 29, 2009, Banc of America Securities LLC received a payment of approximately \$4.3 million. The deferred underwriting commission paid was less pro-rata reductions resulting from the exercise of the stockholder conversion rights.

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Notes to Consolidated Financial Statements (Continued)

December 31, 2009

2008 Private Placement of Warrants

In connection with the IPO, the Company sold an additional 8.0 million Common Stock purchase warrants to the founding stockholder at a price of \$1.00 per warrant. The warrant terms are generally identical to the terms of the warrants sold in the IPO, except for certain restrictions on transfer and redemption and their ability to be exercised on a cashless basis.

2008 Modification of Warrants Terms

In connection with the IPO, in February 2008, the Company modified the terms of the warrants issued originally in November 2007, reducing the exercise price from \$7.50 per share to \$7.00 per share. The change in the fair value of these warrants that resulted from the reduction in exercise price (\$0.7 million), was treated as a deemed dividend to the warrant holder.

\$7.00 Warrants General Terms

The Company may redeem all of the warrants with a \$7.00 strike price (the \$7.00 warrants) at a price of \$0.01 per warrant upon 30 days prior notice, provided that the warrants are exercisable and the registration statement covering the Common Stock issuable upon exercise of the warrants remains effective and available, and provided further that such redemption can only be made if the last sales price of the Common Stock is at least \$14.25 per share (the redemption price) for any 20 trading days within a 30-trading-day period ending on the third day prior to the date on which notice of redemption is given. If a registration statement is not effective at the time of exercise, the holders of the \$7.00 warrant will not be entitled to exercise the warrants, and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle any such warrant exercise. Consequently, the \$7.00 warrants could expire unexercised and unredeemed. The number of shares of Common Stock issuable upon the exercise of each \$7.00 warrant is subject to adjustment from time to time upon the occurrence of certain events. The \$7.00 warrants expire in 2013.

Following the appropriate accounting guidance in effect at the time, the \$7.00 warrants initially were classified within stockholders' equity. On June 2, 2009, the Company entered into an agreement with Banc of America Securities LLC and its affiliate to purchase the 3.7 million warrants held by Banc of America Securities LLC for a price of approximately \$1.8 million in cash upon completion of the Acquisition, which met the definition of a Business Combination. Upon this modification, the Company determined that the completion of the Acquisition was probable of occurrence and, accordingly, classified those warrants as derivative instruments as of June 30, 2009 at their then-current fair value; the Company marked to market the warrants through September 29, 2009 and the exchange agreements are no longer outstanding as of September 29, 2009.

2008 Cancellations, Forfeitures and Transfers

In January 2008, the Company cancelled approximately 1.7 million of the units originally purchased in November 2007, which were surrendered in a recapitalization. In March 2008, approximately 1.3 million additional units originally purchased in November 2007 were forfeited pursuant to the terms of the applicable purchase agreements. In February 2008, approximately 0.2 million units originally purchased in November 2007 were transferred from the original holders to certain of the Company's directors; the Company's directors then forfeited approximately 20,000 of these units. The transferred units have the same terms and are subject to the same restrictions on transfers as the original units.

2009 Warrant Restructure and Exchange Agreements

On July 29, 2009, the Company entered in agreements with the holders of approximately 26.8 million of the \$7.00 warrants. The agreements generally provided such holders, upon the consummation of the Acquisition, the choice of tendering their warrants for (i) the right to demand payment (in cash and shares of common stock) by the Company to settle the warrants in a ratio of consideration of 20% cash and 80% common stock, (ii) the right to exchange their existing \$7.00 warrants for new warrants with an \$11.50 strike price (the \$11.50 warrants) which included the extension of the exercise term for two additional years until 2015 and the increase of the redemption price from \$14.25 to \$18.00 per share or (iii) a combination thereof. The new \$11.50 warrants have terms similar to the \$7.00 warrants, except as described below under \$11.50

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Warrants General Terms . The Company determined that the warrant restructure and exchange agreements created derivative instruments for the warrants subject to settlement, and accordingly on July 29, 2009 reclassified the subject warrants from equity to derivative instruments at their then-current fair value of approximately \$28.6 million. On September 29, 2009, upon consummation of the Acquisition, holders of approximately 12.4 million warrants demanded total payment of

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

approximately \$3.1 million in cash and approximately 1.2 million shares of Common Stock with a value of approximately \$12.5 million, resulting in an expense during the third quarter of 2009 of approximately \$2.3 million. Holders of approximately 14.4 million warrants exchanged their existing warrants for new \$11.50 warrants, resulting in an expense during the third quarter of 2009 of approximately \$31.8 million. Following the appropriate accounting guidance, the new \$11.50 warrants are classified within stockholders' equity.

\$11.50 Warrants General Terms

The Company may redeem all of the \$11.50 warrants at a price of \$0.01 per warrant upon 30 days prior notice, provided that the warrants are exercisable and the registration statement covering the Common Stock issuable upon exercise of the warrants remains effective and available, and provided further that such redemption can only be made if the last sales price of the Common Stock is at least \$18.00 per share for any 20 trading days within a 30-trading-day period ending on the third day prior to the date on which notice of redemption is given. If the registration statement is not still effective at the time of exercise, the holders of the \$11.50 warrants will not be entitled to exercise the warrants, and in no event (whether in the case of a registration statement not being effective or otherwise) will the Company be required to net cash settle any such warrant exercise. Consequently, the \$11.50 warrants may expire unexercised and unredeemed. The number of shares of Company Common Stock issuable upon the exercise of each \$11.50 warrant is subject to adjustment from time to time upon the occurrence of specified events. The warrants expire in 2015.

2009 Follow-on Equity Offering and Repurchases

On September 29, 2009, the Company sold to the public 16.0 million shares of Common Stock for net proceeds of \$148.8 million. Concurrently with the follow-on offering, the Company repurchased, pursuant to existing forward contracts, 16.3 million shares of Common Stock for \$164.9 million. In addition, the Company repurchased approximately 9.2 million shares of Common Stock for \$91.7 million, representing the shares held by those stockholders who voted against the Acquisition. These shares were previously presented as common stock subject to possible conversion on the Company's consolidated balance sheet as of December 31, 2008.

2009 Forfeitures

In September 2009, 8.4 million warrants originally purchased in November 2007 and 4.0 million warrants originally purchased in February 2008 as part of the private placement were forfeited by their holders.

Outstanding Warrants

As of December 31, 2009, after considering all purchases, issuances, cancellations, forfeitures, transfers, repurchases and exchanges, the Company had 13.6 million \$7.00 warrants and 14.4 million \$11.50 warrants outstanding, which are exercisable through February 2013 and February 2015, respectively. All outstanding warrants are classified within stockholders' equity.

5. Debt

As a result of the Acquisition, the Company assumed a \$22.9 million (face value) 5% convertible subordinated note due October 2015 (the Note), originally issued by Iridium to Greenhill & Co. Europe Holdings Limited in connection with the Acquisition. The Note was converted into 1,995,629 shares of the Company's Common Stock on October 24, 2009.

The Company paid all outstanding amounts for its first and second lien credit facilities on September 30, 2009, following the closing of the Acquisition on September 29, 2009.

6. Agreements with Motorola

Transition Services, Products and Asset Agreement

As a result of the Acquisition, the Company effectively acquired and assumed a Transition Services, Products and Asset Agreement (TSA) by and among Iridium Holdings, Iridium Satellite LLC (Iridium Satellite) and Motorola. Certain obligations under the TSA have been fully performed, including Motorola s provision of services and transfers of assets, but other obligations are on-going, as described below.

The TSA requires that Iridium Satellite use Boeing to provide continuing steady-state operations and maintenance services with respect to the Satellite Network Operations Center, Telemetry, Tracking and Control stations and the on-orbit satellites (collectively, the Iridium System) (see Note 7). These services include, under certain circumstances, the removal of satellites in the constellation from operational or storage orbits and preparation for re-entry into the earth s atmosphere. In

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Notes to Consolidated Financial Statements (Continued)

December 31, 2009

addition, Iridium Satellite must (i) obtain and pay the premium for an in-orbit insurance policy on behalf of Boeing and certain other beneficiaries, (ii) pay the premiums for an aviation products completed operations liability insurance policy obtained by Motorola, and (iii) maintain on deposit with Motorola an amount that at all times equals 150% of the current year's annual premium. The deposit of \$0.8 million as of December 31, 2009 is classified within other assets in the accompanying consolidated balance sheet. In addition, pursuant to the TSA and the O&M Agreement, Motorola has the right to cause the de-orbit of the constellation upon the occurrence of certain enumerated events.

The TSA also provides for the payment to Motorola of up to \$8.5 million plus accrued interest on certain principal upon the occurrence of a triggering event. A triggering event is defined as the occurrence of a change of control (as defined in the TSA) of Iridium, the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, a sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite, or upon reaching the date of December 11, 2010. This amount consists of three components: (i) a \$6.0 million commitment fee, (ii) \$1.25 million of deferred equipment financing and (iii) a \$1.25 million product manufacturing fee (plus, in the case of clauses (ii) and (iii), accrued interest from the effective date of the TSA to the date of payment at an annual interest rate of prime plus 3%).

The Company discounted the \$6.0 million commitment fee at an imputed rate of 12.5% over 10 years, resulting in an original issue discount of \$4.2 million. The net liability included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet as of December 31, 2009 is \$5.3 million. The \$1.25 million deferred equipment financing and accrued interest described above is also included in accrued expenses and other current liabilities in the accompanying consolidated balance sheets as of December 31, 2009. The Company does not believe it is obligated to pay the product manufacturing fee noted above.

Motorola Note Agreement

As a result of the Acquisition, the Company effectively acquired and assumed a Senior Subordinated Term Loan Agreement (the Note Agreement), pursuant to which Iridium borrowed \$30 million from Motorola, as evidenced by a senior subordinated term note (the Motorola Note) dated December 11, 2000. The principal amount of, and all interest accrued on, the Motorola Note, was paid in full on May 27, 2005. However, as detailed below, certain additional payment obligations survived this repayment.

Under the Note Agreement, the Company is required to pay Motorola a commitment fee of \$5.0 million upon the earlier of December 11, 2010, and the occurrence of a trigger event. A trigger event means the first to occur of: (a) a change of control (as defined in the Note Agreement), (b) the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, or (c) the sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite. The Company is accruing the commitment fee through December 2010 using the effective-interest method. As of December 31, 2009, the Company's estimated liability approximated \$4.5 million and is included in accrued expenses and other current liabilities in the accompanying consolidated balance sheet.

Additionally, in the event of a distribution event, the Company is required to pay Motorola a loan success fee equal to the amount that a holder of Class B units in Iridium constituting 5% of the total number of issued and outstanding units (both Class A and B) would have received in the distribution event. A distribution event means the (i) direct or indirect (a) payment of any dividend or other distribution (in the form of cash or otherwise) in respect of the equity interests of Iridium or (b) purchase, conversion, redemption or other acquisition for value or otherwise by Iridium of any equity interest in Iridium or (ii) initial public or any secondary offering by Iridium Holdings or Iridium Satellite in which any holders of equity interests in Iridium are afforded the opportunity to participate as a selling equity holder in such offering. There were no payments to Motorola for loan success fees in the year ended December 31, 2009.

Finally, in addition to the above obligations, upon the first to occur of (a) any change of control (as defined in the Note Agreement) or (b) the sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite, the Company is required to pay a cash amount equal to the lesser of (i) an amount to be determined based on a multiple of earnings before interest, taxes, depreciation, and amortization less capital contributions not returned to Class A Unit holders and the amount of the \$5.0 million commitment fee discussed above which has been or is concurrently being paid and (ii) the value of the consideration that a holder of Class B Units in Iridium constituting 5% of the total number of issued and outstanding units (both Class A and B) would receive in the transaction.

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On February 9, 2010, Motorola filed a complaint against Iridium Satellite and Iridium Holdings to seek recovery of the commitment fee and the loan success fee under the Note Agreement in an aggregate amount they allege is at least \$24.7 million. However, the outcome of such complaint is uncertain; therefore, an estimate of the contingency cannot be made at this time and no additional accrual has been made as of December 31, 2009.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009****7. Boeing Operations and Maintenance Agreement**

As a result of the Acquisition, the Company acquired an operations and maintenance agreement between Iridium Constellation and Boeing, pursuant to which Boeing agreed to provide transition services and continuing steady-state operations and maintenance services with respect to the Iridium System (including engineering, systems analysis, and operations and maintenance services). Since Iridium Constellation initially entered into the agreement, there have been a number of amendments, including the O&M Agreement. As a result of these various amendments, the period of performance has been extended to be concurrent with the useful life of the satellite constellation, the schedule of monthly payments has been revised and a cost escalation according to a prescribed formula is now included. In addition, pursuant to the O&M Agreement, Boeing has the unilateral right to commence the de-orbit of the constellation upon the occurrence of certain enumerated events.

The O&M Agreement incorporates a revised de-orbit plan, which, if exercised, would cost approximately \$16.0 million plus an amount equivalent to the premium of Section B de-orbit insurance coverage to be paid to Boeing in the event of a mass de-orbit of the satellite constellation. The Company caused to be issued to Boeing a \$15.4 million letter of credit as collateral for de-orbit costs. This letter of credit is cash collateralized, and is included in restricted cash in the accompanying consolidated balance sheet at December 31, 2009.

Under the O&M Agreement, following the Acquisition, the Company incurred expenses of \$11.9 million relating to satellite operations and maintenance costs for the year ended December 31, 2009 included in cost of services (exclusive of depreciation and amortization) in the accompanying consolidated statements of operations.

8. Property and Equipment

As a result of the Acquisition, property and equipment consisted of the following at:

	December 31, 2009
	(In thousands)
Satellite system	\$ 333,450
Terrestrial system	4,101
Equipment	11,303
Gateway system	2,672
Internally developed software and purchased software	1,141
Building and leasehold improvements	24,875
	377,542
Less: accumulated depreciation	(18,614)
	358,928
Land	7,944
Construction in process	19,865
Total property and equipment, net of accumulated depreciation	\$ 386,737

At December 31, 2009, construction in process consisted of assets being developed or constructed for various uses including: internally developed software of \$11.5 million, equipment of \$6.2 million, gateway system of \$2.0 million, and terrestrial system of \$0.2 million. Following the Acquisition, depreciation expense for the year ended December 31, 2009 was \$18.6 million.

9. Intangible Assets

As a result of the Acquisition, the Company had identifiable intangible assets as follows:

	Useful lives	December 31, 2009		Net Carrying Value
		Gross Carrying Value	Accumulated Amortization	
(In thousands)				
Indefinite life intangible assets:				
Trade names	Indefinite	\$ 20,385	\$	\$ 20,385
Spectrum and licenses	Indefinite	13,495		13,495
Total		33,880		33,880
Definite life intangible assets:				
Customer relationships - government	5 years	19,577	(979)	18,598
Customer relationships - commercial	5 years	31,790	(1,590)	30,200
Core developed technology	5 years	4,657	(233)	4,424
Software	5 years	1,948	(97)	1,851
Total		57,972	(2,899)	55,073
Total intangible assets		\$ 91,852	\$ (2,899)	\$ 88,953

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

Intangible assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives. The Company has determined the useful lives of its identified intangible assets based on its assessment of all facts and circumstances, including (i) the expected use of the asset; (ii) the expected useful life of another asset or a group of assets to which the useful life of the intangible asset may relate; (iii) any legal, regulatory, or contractual provisions that may limit the useful life; (iv) the Company's own historical experience in renewing or extending similar arrangements (consistent with the intended use of the asset), regardless of whether those arrangements have explicit renewal or extension provisions; (v) the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry, known technological advances, legislative action that results in an uncertain or changing regulatory environment and expected changes in distribution channels); and (vi) the level of maintenance expenditures required to obtain the expected future cash flows from the asset. The estimated useful lives may be adjusted from time to time before September 29, 2010, the first year anniversary of the Acquisition, as better information becomes available. The weighted average amortization period of intangible assets is 5 years. Following the Acquisition, amortization expense for the year ended December 31, 2009 was \$2.9 million.

Future amortization expense with respect to intangible assets existing at December 31, 2009, by year and in the aggregate, is as follows:

Year ending December 31,	Amount (In thousands)
2010	\$ 11,594
2011	11,594
2012	11,594
2013	11,594
2014	8,697
Total estimated future amortization expense	\$ 55,073

10. Commitments and Contingencies*Supplier Purchase Commitments*

The Company has a manufacturing agreement with a supplier to manufacture subscriber equipment, which contains minimum monthly purchase requirements. The Company's purchases have exceeded the monthly minimum requirement since inception. Pursuant to the agreement, the Company may be required to purchase excess materials if the materials are not used in production within the periods specified in the agreement. The supplier will then generally repurchase such materials from the Company at the same price paid by the Company, as required for the production of the devices. As of December 31, 2009, the Company has \$1.0 million of excess materials and the amount is included in inventory on the accompanying consolidated balance sheets.

Unconditional purchase obligations are \$269.0 million, which include payments under our O&M Agreement with Boeing, the Company's agreement with a supplier for the manufacturing of the Company's devices and various commitments with other vendors. Unconditional purchase obligations are scheduled for the years ended December 31, 2010, 2011, 2012, 2013 and 2014 in the amounts of \$71.0 million, \$52.8 million, \$52.8 million, \$52.8 million, and \$39.6 million, respectively.

In-Orbit Insurance

Due to various contractual requirements, the Company is required to maintain an in-orbit insurance policy with a de-orbiting endorsement to cover potential claims relating to operating or de-orbiting the satellite constellation. The policy covers the Company, Boeing as operator (see Note 7), Motorola (the original system architect and prior owner), contractors and subcontractors of the insured, the U.S. government and certain

other sovereign nations.

The current policy has a one-year term, which expires December 12, 2010. The policy coverage is separated into Sections A and B. Liability limits for claims under each of Sections A and B are \$500 million per occurrence and \$1 billion in the aggregate. The deductible for claims is \$250,000 per occurrence.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

Section A coverage is currently in effect and covers risks in connection with in-orbit satellites. Section B coverage is effective once requested by the Company (the Attachment Date) and covers risks in connection with a decommissioning of the satellite system. The term of the coverage under Section B is 12 months from the Attachment Date. The premium for Section B coverage is \$2.5 million and is payable on or before the Attachment Date. As of December 31, 2009, the Company had not requested Section B coverage since no decommissioning activities are currently anticipated.

The balance of the unamortized premium payment for Section A coverage is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. The Company has not accrued for any deductible amounts related to either Section A or B of the policy as of December 31, 2009, since management believes that the likelihood of an occurrence is remote.

Operating Leases

The Company leases land, office space, and office and computer equipment under noncancelable operating lease agreements. Most of the leases contain renewal options of 1 to 10 years. The Company's obligations under the current terms of these leases extend through 2020.

Additionally, several of the Company's leases contain clauses for rent escalation including, but not limited to, a pro-rata share of increased operating and real estate tax expenses. Rent expense is recognized pursuant to the existing accounting guidance, on a straight-line basis over the lease term. The Company leases facilities located in Chandler, Arizona (lease expires March 2014), Tempe, Arizona (leases expire December 2015 and March 2016), Bethesda, Maryland (lease expires April 2013), McLean, Virginia (lease expires May 2020), Canada (leases expire January 2015 and May 2015), and Norway (lease expires January 2016).

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases at December 31, 2009, are as follows (in thousands):

Year Ending December 31,	Operating Leases
2010	\$ 2,510
2011	3,129
2012	3,194
2013	2,948
2014	2,282
Thereafter	8,154
	\$ 22,217

Rent expense for the years ended December 31, 2009 and 2008, and the period from November 2, 2007 (inception) to December 31, 2007 were \$1.0 million, \$0.1 million, and \$0.0 million, respectively.

Contingencies

From time to time, in the normal course of business, the Company is party to various pending claims and lawsuits. Other than the Motorola action described in Note 6, the Company is not aware of any such actions that the Company would expect to have a material adverse impact on the Company's business, financial results or financial condition.

11. Stock-Based Compensation

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During 2009, the Company's stockholders approved a stock incentive plan (the 2009 Stock Incentive Plan) to provide stock-based awards, including nonqualified stock options, incentive stock options, restricted stock and other equity securities, as incentives and rewards for employees, consultants and non-employee directors. As of December 31, 2009, 8,000,000 shares of common stock have been authorized for issuance as awards under the 2009 Stock Incentive Plan. The Company did not issue stock-based awards prior to the adoption of the 2009 Stock Incentive Plan.

2009 Employee Stock Option Awards

In the fourth quarter of 2009, the Company granted approximately 2.6 million stock options to its employees. The stock option awards generally (i) have a term of ten years, (ii) vest over a four-year period with 25% vesting after the first year of service and ratably on a quarterly basis thereafter, (iii) are contingent upon employment on the vesting date, and (iv) have an exercise price of \$8.73 per share, which is equal to the fair value of the shares at the date of grant. The fair value of each

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

option is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatility is based on a review of the Company's industry peer group's historical and implied volatility, which the Company believes is a reasonable indicator of the expected volatility of the Company's stock. The expected term of the award was calculated using the simplified method for all grants in 2009 as the Company currently does not have sufficient experience of its own option exercise patterns. The Company does not anticipate paying dividends during the expected term of the grants; therefore the dividend rate was assumed to be zero. The risk-free interest rate assumed is based upon U.S. Treasury Bond interest rates with similar terms at similar dates.

Assumptions used in determining the fair value of the Company's options were as follows:

	Year Ended December 31, 2009
Expected volatility	69%
Expected term (years)	5.75 - 6.25
Expected dividends	0%
Risk free interest rate	2.56% - 2.90%

At December 31, 2009, the weighted-average grant-date fair value was \$5.61 per share. A summary of the activity of the Company's stock options as of December 31, 2009 is as follows:

	Shares (In thousands, except per share amounts)	Weighted- Average Exercise Price Per Share
Options outstanding at January 1		\$
Granted	2,636	8.73
Cancelled or expired		
Forfeited		
Options outstanding at December 31	2,636	8.73
Options exercisable at December 31		
Options vested at December 31		
Options exercisable and expected to vest at December 31	2,436	8.73

The Company recognized \$0.4 million of stock-based compensation expense during 2009. The aggregate intrinsic value for options exercisable and expected to vest was \$0 since the exercise price was greater than the market price at December 31, 2009. As of December 31, 2009, the total unrecognized cost related to non-vested options was approximately \$13.3 million. This cost is expected to be recognized over a weighted

average period of 3.9 years. To the extent the Company's actual forfeiture rate is different from its estimate of such forfeitures, the stock-based compensation may differ in future periods.

12. Segments, Significant Customers, Supplier and Service Providers and Geographic Information

The Company operates in one business segment, providing global satellite communication services and products.

The Company derived approximately 25% of its total revenue in the year ended December 31, 2009 (following the Acquisition) and approximately 28% of its accounts receivable balances at December 31, 2009 from agencies of the U.S. government. The two largest commercial customers accounted for approximately 19% of the Company's total revenue in the year ended December 31, 2009 (following the Acquisition) and approximately 18% of the Company's accounts receivable balance at December 31, 2009.

The Company acquires subscriber equipment primarily from one manufacturer. Should events or circumstances prevent the manufacturer from producing the equipment, the Company's business could be adversely affected until the Company is able to move production to other facilities of the manufacturer or secure a replacement manufacturer.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

A significant portion of the Company's satellite operations and maintenance services is provided by Boeing. Should events or circumstances prevent Boeing from providing these services, the Company's business could be adversely affected until the Company is able to assume operations and maintenance responsibilities or secure a replacement service provider.

Net property and equipment by geographic area, was as follows:

	December 31, 2009
	(In thousands)
United States	\$ 67,989
Satellites in orbit	316,778
All others ⁽¹⁾	1,970
	\$ 386,737

(1) All others primarily includes subscriber equipment in international waters.

Revenue by geographic area following the Acquisition was as follows:

	Year Ended December 31, 2009
	(In thousands)
United States	\$ 35,762
Canada	10,241
United Kingdom	8,733
Other countries ⁽¹⁾	21,253
	\$ 75,989

(1) No one other country represented more than 10% of revenue.

Revenue is attributed to geographic area based on the billing address of the distributor. Service location and the billing address are often not the same. The Company's distributors sell services directly or indirectly to end-users, who may be located or use the Company's products and services elsewhere. The Company cannot provide the geographical distribution of end-users because it does not contract directly with them. The Company does not have significant foreign exchange risk on sales, as nearly all invoices are denominated in United States dollars.

13. Fair Value Measurements

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

Financial Assets and Liabilities

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash were recorded at fair value at December 31, 2009 and December 31, 2008. The inputs used in measuring the fair value of these instruments are considered to be Level 1 in accordance with the fair value hierarchy. The fair values are based on period-end statements supplied by the various banks and brokers that held the majority of the Company's funds deposited in institutional money market mutual funds and regular interest bearing and non-interest bearing depository accounts and certificates of deposits with commercial banks.

Short-term Financial Instruments

The fair values of short-term financial instruments (primarily cash and cash equivalents, prepaid expenses and other current assets, accounts receivable, accounts payable, accrued expenses and other current liabilities, and accrued compensation and employee benefits) approximate their carrying values because of their short-term nature.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009****14. Employee Benefit Plan**

The Company sponsors a defined-contribution 401(k) retirement plan (the Plan) that covers all employees. Employees are eligible to participate in the Plan on the first day of the month following the date of hire, and participants are 100% vested from the date of eligibility. The Company matches employees' contributions equal to 100% of the salary deferral contributions up to 5% of the employees' compensation. Company-matching contributions to the Plan were \$0.2 million for the year ended December 31, 2009 (following the Acquisition). The Company pays all administrative fees related to the Plan.

15. Indemnification Agreement

Iridium Satellite, Boeing, Motorola and the U.S. government entered into an indemnification agreement, effective December 5, 2000, that provides, among other things, that: (a) Iridium Satellite will maintain satellite liability insurance (see Notes 7 and 10); (b) Boeing will maintain aviation and space liability insurance; and (c) Motorola will maintain aviation products' completed operations liability insurance. Pursuant to the indemnification agreement, the U.S. government may, in its sole discretion, require the Company, Boeing or either of them to immediately de-orbit the Company's satellites at no expense to the U.S. government upon the occurrence of certain enumerated events. However, as discussed in Note 2, Management does not believe the U.S. government will exercise this right.

16. Related Party Transaction

The Company paid \$0.1 million, \$0.1 million, and \$0.0 million for the years ended December 31, 2009 and 2008, and the period from November 2, 2007 (inception) to December 31, 2007, respectively, to a stockholder for the use of office space and administrative services. This arrangement was terminated as of September 30, 2009.

17. Income Taxes

U.S. and foreign components of (loss) income before income taxes are presented below:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
	(In thousands)	
U.S. (loss) income	\$ (45,817)	\$ 3,012
Foreign income	336	
Total (loss) income	\$ (45,481)	\$ 3,012

The components of the Company's income tax (benefit) provision were as follows:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
	(In thousands)	
Current taxes:		
Federal (benefit) provision	\$ (126)	\$ 1,587

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State provision	440	937
Foreign provision	76	
Total current tax expense	390	2,524
Deferred taxes:		
Federal (benefit)	(977)	(734)
State (benefit)	(687)	(434)
Foreign (benefit)	(47)	
Total deferred tax (benefit)	(1,711)	(1,168)
Total income tax (benefit) provision	\$ (1,321)	\$ 1,356

There was no tax benefit or provision for the period from November 2, 2007 (inception) to December 31, 2007.

The actual provision for income taxes differed from the statutory U.S. federal income tax rate as follow:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008
	(In thousands)	
U.S. federal tax at statutory rate	\$ (15,918)	\$ 1,024
Warrant exchange and other permanent items	12,991	
Prior year true-ups and other	432	
Branch profits tax	1,335	
State taxes, net of federal benefit	(161)	332
Total income tax (benefit) provision	\$ (1,321)	\$ 1,356

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

The components of deferred tax assets and liabilities at December 31, 2009 and 2008 were as follows:

	December 31, 2009	December 31, 2008
	(In thousands)	
Deferred tax assets - current:		
Accruals and reserves	\$ 2,697	\$
Federal and State net operating losses and R&D and AMT credits	1,359	
Other	1,253	
Total gross deferred tax assets - current	5,309	
Deferred tax assets -non- current:		
Transaction costs	3,056	1,168
Deferred revenue	5,384	
Accruals and reserves	7,476	
Foreign net operating losses	127	
Other	2,003	
Total gross deferred tax assets - non-current	18,046	1,168
Deferred tax liabilities - current:		
Inventory	(1,642)	
Other	(1,067)	
Total gross deferred tax liabilities - current	(2,709)	
Deferred tax liabilities - non-current:		
Fixed assets and intangibles	(109,826)	
Accruals and reserves	(3,219)	
Total gross deferred tax liabilities - non-current	(113,045)	
Net deferred tax (liabilities) assets	\$ (92,399)	\$ 1,168

The Company accounted for its business combination with Iridium Holdings by recording all assets acquired and liabilities assumed at their respective Acquisition-date fair values. Accordingly, the Company recognized deferred assets and liabilities for the tax effects of differences between assigned book values and tax bases of the assets acquired and liabilities assumed. As a result of the transaction, a net deferred tax liability of approximately \$95.2 million was established.

As of December 31, 2009, the Company had cumulative U.S., state and foreign net operating loss carryforwards for income tax reporting purposes of approximately \$3.5 million, \$2.6 million and \$6.0 million, respectively. The use of the cumulative net operating loss carryforward may be restricted due to changes in the Company's ownership. The net operating loss carryforwards expire at various dates through 2029. As of

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December 31, 2009, the Company has research and development tax credits of approximately \$0.5 million that expire at various dates through 2029. The Company also has \$0.6 million of Alternative Minimum Tax (AMT) credits.

The Company has provided for U.S. income taxes on all undistributed earnings of its material foreign subsidiaries since the Company does not permanently reinvest the undistributed earnings. The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, operating losses and tax credit carryforwards. The Company measures deferred tax assets and liabilities using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company recognizes the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date.

The Company also recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers: (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary differences and carryforwards; (iii) taxable income in prior carryback year(s) if carryback is permitted under applicable tax law; and (iv) tax planning strategies.

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009***Uncertain Income Tax Positions*

The Company is subject to income taxes in the U.S., various states and numerous foreign jurisdictions. Significant judgment is required in evaluating its tax positions and determining its provision for income taxes. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate.

The amount of uncertain tax positions that would affect the effective tax rate if recognized at December 31, 2009 was \$0.2 million.

It is anticipated that the amount of unrecognized tax benefit reflected at December 31, 2009 will not materially change in the next 12 months; any changes are not anticipated to have significant impact on the results of operations, financial position or cash flows of the Company.

The Company is subject to tax audits in all jurisdictions for which it files tax returns. Tax audits by their very nature are often complex and can require several years to complete. Neither the Company nor any of its subsidiaries are currently under audit by the Internal Revenue Service or by any state or foreign jurisdictions. The Company's corporate U.S. tax returns for 2007 and 2008 remain subject to examination by tax authorities.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits:

	For the Year Ended December 31, 2009	
	(In thousands)	
Beginning balance of unrecognized tax benefits	\$	
Increases based on tax positions related to current year		18
Increases based on liabilities assumed in the Acquisition		125
Ending balance of unrecognized tax benefits	\$	143

There were no unrecognized tax benefits prior to the Acquisition.

The Company has elected an accounting policy to classify accrued interest and penalties related to unrecognized tax benefits as a component of income tax benefit. As of December 31, 2009, any potential interest and penalties on unrecognized tax benefits were not significant.

18. (Loss) Earnings Per Share

The computations of basic and diluted (loss) earnings per share are set forth below:

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Period from November 2, 2007
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				(Inception) to December 31, 2007
				(In thousands, except per share amounts)
Numerator for basic and diluted				
(loss) earnings per share	net (loss) income	\$ (44,160)	\$ 1,656	\$ (4)
Denominator for basic and diluted				
(loss) earnings per share				
weighted average shares outstanding		53,964	43,268	11,500
(Loss) earnings per share	basic and diluted	\$ (0.82)	\$ 0.04	\$ (0.00)

As of December 31, 2009, the Company had approximately 28.0 million warrants and 2.6 million stock options outstanding; because there was a loss for the year ended December 31, 2009, these warrants and options were considered to be anti-dilutive in those periods and therefore were excluded from the weighted average diluted shares outstanding calculation. Warrants issued by the Company in the initial public offering and private placement in 2008 and 2007, respectively, were contingently exercisable at the later of one year from the date of the applicable offering and the consummation of a business combination, provided, in each case, there is an effective registration statement covering the shares issuable upon exercise of

Table of Contents**Iridium Communications Inc.****Notes to Consolidated Financial Statements (Continued)****December 31, 2009**

the warrants. Therefore, 56.5 million and 11.5 million shares of common stock underlying the warrants were excluded from the basic and diluted earnings per share calculation for the year ended December 31, 2008 and for the period from November 2, 2007 (inception) to December 31, 2007, respectively.

19. Selected Quarterly Information (Unaudited)

The following represents the Company's unaudited quarterly results for the years ended December 31, 2009 and 2008.

	March 31, 2009	For the Quarter Ended		
		June 30, 2009	September 30, 2009	December 31, 2009
	(In thousands, except per share amounts)			
Revenue	\$	\$	\$	\$ 75,989
Operating loss	\$ (464)	\$ (328)	\$ (6,093)	\$ (5,427)
Net income (loss)	\$ 34	\$ (17)	\$ (39,428)	\$ (4,749)
Earnings (loss) per common share - basic and diluted	\$ 0.00	\$ (0.00)	\$ (0.81)	\$ (0.07)

	March 31, 2008	For the Quarter Ended		
		June 30, 2008	September 30, 2008	December 31, 2008
	(In thousands, except per share amounts)			
Revenue	\$	\$	\$	\$
Operating loss	\$ (112)	\$ (82)	\$ (106)	\$ (2,292)
Net income (loss)	\$ 545	\$ 907	\$ 1,097	\$ (893)
Earnings (loss) per common share - basic and diluted	\$ 0.02	\$ 0.02	\$ 0.02	\$ (0.02)

The quarter ended September 30, 2009 includes a \$34.1 million change in the fair value of warrants due to the Company's determination that the exchange agreements entered into with the holders of 26.8 million warrants were derivative instruments. The quarter ended December 31, 2009 reflects the results of post-Acquisition activities. The sum of the per share amounts does not equal the annual amounts due to changes in the weighted average number of common shares outstanding during the year.

20. Subsequent Events

The Company has evaluated subsequent events through the date as of which its financial statements are being issued. On February 9, 2010, Motorola filed a complaint against the Company. Refer to Note 6 for more information.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Iridium Communications Inc.

We have audited the accompanying consolidated balance sheets of Iridium Holdings LLC (predecessor of Iridium Communications Inc.) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in members' deficit and comprehensive income, and cash flows for the years then ended, and for the period from January 1, 2009 to September 29, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Iridium Holdings LLC at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for the years then ended and for the period from January 1, 2009 to September 29, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

McLean, Virginia
March 16, 2010

Table of Contents**Iridium Holdings LLC Predecessor Company****Consolidated Balance Sheets****(In thousands, except unit data)**

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,810	\$ 22,105
Restricted cash	120	3,020
Accounts receivable	41,031	35,114
Inventory	29,847	14,156
Deferred cost of sales		3,408
Prepaid expenses and other current assets	5,547	2,539
Total current assets	101,355	80,342
Property and equipment, net of accumulated depreciation	63,090	59,959
Restricted cash	15,400	15,400
Deferred financing costs and other assets	10,724	11,880
Total assets	\$ 190,569	\$ 167,581
Liabilities and members deficit		
Current liabilities:		
Accounts payable	\$ 6,650	\$ 2,361
Accrued expenses and other current liabilities	23,973	19,415
Accrued compensation and employee benefits	10,586	8,843
Credit facility, current portion	30,379	12,933
Deferred revenue	25,366	24,152
Total current liabilities	96,954	67,704
Accrued satellite operations and maintenance expense, net of current portion	9,898	12,372
Motorola payable	10,849	9,761
Credit facility	106,541	151,542
Convertible subordinated note	22,900	
Other long-term liabilities	5,657	4,649
Total liabilities	252,799	246,028
Commitments and contingencies		
Members deficit:		
Members units:		
Class A Units (1,083,872 units issued and outstanding)		
Class B Units (518,012 and 455,209 units issued and outstanding, respectively)		
Additional paid-in capital	4,429	761
Accumulated deficit	(63,497)	(75,576)
Accumulated other comprehensive loss	(3,162)	(3,632)
Total members deficit	(62,230)	(78,447)

Total liabilities and members deficit	\$ 190,569	\$ 167,581
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See accompanying notes to consolidated financial statements

Table of Contents**Iridium Holdings LLC Predecessor Company****Consolidated Statements of Income****(In thousands, except per unit data)**

	For the		
	Period from		
	January 1, 2009 to	Year Ended	Year Ended
	September 29, 2009	December 31, 2008	December 31, 2007
Revenue:			
Services:			
Government	\$ 56,039	\$ 67,759	\$ 57,850
Commercial	120,706	133,247	101,172
Subscriber equipment	66,206	119,938	101,879
Total revenue	242,951	320,944	260,901
Operating expenses:			
Cost of subscriber equipment sales	33,265	67,570	62,439
Cost of services (exclusive of depreciation and amortization)	58,978	69,882	63,614
Selling, general and administrative	44,505	55,105	46,350
Research and development	17,432	32,774	13,944
Depreciation and amortization	10,850	12,535	11,380
Transaction costs	12,478	7,959	
Total operating expenses	177,508	245,825	197,727
Operating profit	65,443	75,119	63,174
Other (expense) income:			
Interest expense, net of capitalized interest of \$324, \$1,303 and \$775 for the period January 1, 2009 to September 29, 2009 and the year ended December 31, 2008 and 2007, respectively	(12,829)	(21,094)	(21,771)
Interest income and other income (expense), net	670	(146)	2,370
Total other (expense) income	(12,159)	(21,240)	(19,401)
Net income	\$ 53,284	\$ 53,879	\$ 43,773
Net income attributable to Class A Units	\$ 36,143	\$ 36,456	\$ 30,826
Weighted average Class A Units outstanding basic	1,084	1,084	1,084
Weighted average Class A Units outstanding diluted	1,168	1,098	1,084
Earnings per unit basic	\$ 33.34	\$ 33.63	\$ 28.44
Earnings per unit diluted	\$ 31.75	\$ 33.40	\$ 28.44

See accompanying notes to consolidated financial statements

Table of Contents**Iridium Holdings LLC Predecessor Company****Consolidated Statements of Changes in Members Deficit and Comprehensive Income**

(In thousands except unit data)

	Class A Units		Class B Units		Accumulated			Total	
	Number of Units	Amount	Number of Units	Amount	Additional Paid-In Capital	Other Comprehensive Loss	Accumulated Deficit	Members Deficit	Comprehensive Income
Balance at December 31, 2006	1,083,872	\$	435,703	\$	\$ 535	\$ (2,375)	\$ (119,349)	\$ (121,189)	
Equity-based compensation					226			226	
Class B Units issued			15,390						
Class B Units forfeited			(1,539)						
Anti-dilution adjustment			5,655						
Net income							43,773	43,773	\$ 43,773
Other comprehensive loss swap						(1,257)		(1,257)	(1,257)
Balance at December 31, 2007	1,083,872		455,209		761	(3,632)	(75,576)	(78,447)	
Total for the year ended December 31, 2007									\$ 42,516
Equity-based compensation					1,964			1,964	
Exchange of profits interests for B Units			59,382		1,704			1,704	
Class A and B Units distributions							(41,800)	(41,800)	
Anti-dilution adjustment			3,421						
Net income							53,879	53,879	\$ 53,879
Other comprehensive income swap						470		470	470
Balance at December 31, 2008	1,083,872	\$	518,012	\$	\$ 4,429	\$ (3,162)	\$ (63,497)	\$ (62,230)	
Total for the year ended December 31, 2008									\$ 54,349
Resignation of board member			(3,958)						
Equity-based compensation					2,616			2,616	
Net income							53,284	53,284	\$ 53,284
Cumulative translation adjustment						104		104	104
Other comprehensive income swap						2,028		2,028	2,028
Balance at September 29, 2009 (date of acquisition)	1,083,872	\$	514,054	\$	\$ 7,045	\$ (1,030)	\$ (10,213)	\$ (4,198)	
Total for the period-ended September 29, 2009 (date of acquisition)									\$ 55,416

See accompanying notes to consolidated financial statements

Table of Contents**Iridium Holdings LLC Predecessor Company****Consolidated Statements of Cash Flows**

(In thousands)

	For the Period from January 1, 2009 to September 29, 2009	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
Operating activities:			
Net income	\$ 53,284	\$ 53,879	\$ 43,773
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	10,850	12,535	11,380
Other non-cash amortization and accretion	2,537	5,425	2,862
Equity and profits interest compensation	5,406	2,867	2,901
Change in certain operating assets and liabilities:			
Accounts receivable, net	(5,539)	(6,193)	(9,943)
Inventory	8,919	(15,691)	(3,852)
Prepaid expenses and other current assets	2,158	(3,008)	(692)
Deferred cost of sales		3,408	11,836
Other noncurrent assets	935	(3,206)	(5,790)
Accounts payable	(2,368)	4,289	(2,631)
Accrued expenses and other liabilities	(7,134)	5,849	(3,439)
Accrued compensation and employee benefits	(2,908)	2,544	2,886
Deferred revenue	(54)	1,214	(10,256)
Accrued satellite operations and maintenance expense	(1,856)	(2,474)	(2,475)
Net cash provided by operating activities	64,230	61,438	36,560
Investing activities:			
Capital expenditures	(7,698)	(13,913)	(19,787)
Net cash used in investing activities	(7,698)	(13,913)	(19,787)
Financing activities:			
Payments under credit facilities	(23,327)	(27,554)	(26,526)
Proceeds from issuance of Convertible Subordinated Note		22,900	
Payment of deferred financing fees		(1,688)	
Transfers from restricted cash for letters of credit		2,900	
Distributions to Class A and B members		(41,378)	
Net cash used in financing activities	(23,327)	(44,820)	(26,526)
Net increase in cash and cash equivalents	33,205	2,705	(9,753)
Cash and cash equivalents, beginning of period	24,810	22,105	31,858
Cash and cash equivalents, end of period	\$ 58,015	\$ 24,810	\$ 22,105
Supplementary cash flow information:			
Cash paid for interest	\$ 10,704	\$ 16,991	\$ 20,643
Supplementary disclosure of non-cash investing activities:			
Leasehold incentives in the form of leasehold improvements	\$	\$ 1,171	\$ 357
Property and equipment received but not paid for at period end	\$ 2,403	\$ 581	\$

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See accompanying notes to consolidated financial statements

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements

September 29, 2009

1. Organization and Business

Organization

Iridium Holdings LLC (Iridium Holdings) and, together with its direct and indirect subsidiaries, Iridium) was formed under the laws of Delaware in 2000 and was organized as a limited liability company pursuant to the Delaware Limited Liability Company Act. On December 11, 2000, Iridium Satellite LLC, a wholly owned subsidiary of Iridium Holdings, acquired certain satellite communication assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement.

Business

Iridium is a provider of mobile voice and data communications services via satellite. Iridium holds various licenses and authorizations from the Federal Communications Commission (the FCC) and from international regulatory bodies that permit Iridium to conduct its business, including the operation of its satellite constellation. Iridium offers voice and data communications services and products to businesses, U.S. and international government agencies and other customers on a global basis.

On September 22, 2008, Iridium Holdings and its members entered into a transaction agreement, as amended on April 28, 2009 (the Transaction Agreement), with GHQ Acquisition Corp., a special purpose acquisition company (GHQ), whereby GHQ agreed to purchase, directly or indirectly, all of the outstanding equity of Iridium Holdings (the Acquisition). Following the closing of the Acquisition on September 29, 2009, GHQ changed its name to Iridium Communications Inc. Total consideration included approximately 29.4 million shares of GHQ s common stock and \$102.6 million in cash (which included a requirement to make a payment of \$25.5 million in cash to some of the former members of Iridium Holdings for tax benefits Iridium Communications Inc. received, payable on December 29, 2009). Iridium is considered a predecessor entity to Iridium Communications Inc.

2. Significant Accounting Policies and Basis of Presentation

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The accompanying consolidated financial statements include the accounts of Iridium and its wholly-owned and majority-owned subsidiaries. All intercompany transactions and balances have been eliminated.

Reclassifications

Approximately \$1.0 million of selling, general and administrative expense for the six months ended June 30, 2009 has been reclassified to cost of services (exclusive of depreciation and amortization).

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires Iridium to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ materially from those estimates.

Financial Instruments

The consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, convertible subordinated debt, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities, long-term debt, derivative instruments, and other obligations). Additional information regarding fair value is disclosed in Note 13.

Concentrations of Credit Risk

Financial instruments that potentially subject Iridium to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of this cash is swept nightly into a money market fund with a diversified portfolio. Iridium performs credit evaluations of its customers' financial condition and records reserves to provide for estimated credit losses. Accounts receivable are due from both domestic and international customers (see Note 12). Iridium maintained its cash and cash equivalents with financial institutions with high credit ratings, although at times Iridium maintained deposits in federally insured financial institutions in excess of federally insured (FDIC) limits.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

Cash and Cash Equivalents

Iridium considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash and cash equivalents balances at December 31, 2008 and 2007 consisted of cash deposited in institutional money market mutual funds and regular interest bearing and non-interest bearing depository accounts and certificates of deposits with commercial banks.

Accounts Receivable

Trade accounts receivable are generally recorded at the invoiced amount and are subject to late fee penalties. Accounts receivable are stated net of allowances for doubtful accounts. Iridium had no allowance for doubtful accounts at December 31, 2008 or 2007. Iridium develops its estimate of this allowance based on Iridium's experience with specific customers, aging of outstanding invoices, its understanding of their current economic circumstances and its own judgment as to the likelihood that it will ultimately receive payment. Iridium writes off its accounts receivable when balances are deemed uncollectible.

Foreign Currencies

The functional currency of Iridium's foreign consolidated subsidiaries is its local currency. Assets and liabilities of its foreign subsidiaries are translated to United States dollars based on exchange rates at the end of the reporting period. Income and expense items are translated at the weighted average exchange rates prevailing during the reporting period. Translation adjustments are accumulated in a separate component of members' equity. Transaction gains or losses are classified as Interest income and other income (expense), net in the statements of income.

Inventory

Inventory consists primarily of finished goods including Iridium OpenPort terminals, handsets, L-Band transceivers, data devices, related accessories, and replacement parts to be sold to customers to access Iridium services. Iridium also has raw materials from third-party manufacturers (see Note 9). Iridium outsources manufacturing of subscriber equipment primarily to a third-party manufacturer and purchases accessories from third-party suppliers. Iridium's cost of inventory includes an allocation of overhead (including salaries and benefits of employees directly involved in bringing inventory to its existing condition, scrap, tooling and freight). Inventories are valued using the average cost method, and are carried at the lower of cost or market.

Accounting for Equity-Based Compensation

Iridium accounts for equity-based compensation at fair value; accordingly Iridium expenses the estimated fair value of share-based awards made in exchange for employee services over the requisite employee service period. Share-based compensation cost is determined at the grant date using the Black-Scholes option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee's requisite service period and is classified in the statement of income in a manner consistent with the statement of income's classification of the employee's salaries. No grants of equity based compensation occurred in 2009.

The expected volatility assumption used in the option pricing model was based on a review of the expected volatility of publicly traded entities similar to Iridium, which Iridium believes is a reasonable indicator of the expected volatility. The risk-free interest rate assumption is based upon U.S. Treasury Bond interest rates with terms similar to the expected term of the award. The dividend yield assumption is based on Iridium's history of not declaring and paying dividends. The expected term is based on Iridium's best estimate for the period of time for which the instrument is expected to be outstanding.

Since Iridium was a nonpublic entity, Iridium can make a policy decision regarding whether to measure all of the liabilities incurred under share-based payment arrangements at fair value or to measure all such liabilities at intrinsic value. Iridium's policy is to measure all share-based payment liabilities using the intrinsic value method. This intrinsic value is then amortized on a straight-line basis over the requisite service

periods of the awards, which are generally the vesting periods.

As a result of the Acquisition, certain employee share-based awards and certain other employee benefits were automatically accelerated in vesting. The acceleration resulted in an additional \$3.8 million expense in the consolidated statement of income for the period January 1, 2009 to September 29, 2009 (the 2009 Period). As of September 29, 2009, the closing date of the Acquisition, there were no equity based awards outstanding.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009****Property and Equipment**

Property and equipment is carried at cost less accumulated depreciation. Leasehold improvements are depreciated over the shorter of their useful life or their remaining lease term. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Satellite system	14 years
Terrestrial system	7 years
Equipment	3 - 5 years
Gateway system	5 years
Internally developed software and purchased software	3 - 7 years
Building	39 years
Leasehold improvements	Shorter of estimated useful life or remaining lease term

Iridium capitalizes interest costs associated with the construction of capital assets and amortizes the cost over the assets' useful lives beginning when the assets are placed in service. Repairs and maintenance costs are expensed as incurred.

Long-Lived Assets

Iridium assesses the impairment of long-lived assets when indicators of impairment are present. Recoverability of assets is measured by comparing the carrying amounts of the assets to the future undiscounted cash flows expected to be generated by the assets. Any impairment loss would be measured as the excess of the assets' carrying amount over their fair value. Fair value is based on market prices where available, an estimate of market value or various valuation techniques.

The carrying value of a satellite lost as a result of an in-orbit failure would be charged to operations upon the occurrence of the loss. Iridium recorded \$0.1 million of impairment charges in both the 2009 Period and the year ended December 31, 2008 for lost use on satellites. No impairment losses were recorded in 2007.

Convertible Subordinated Note

In October 2008, Iridium issued to Greenhill & Co. Europe Holdings Limited (the "Holder"), a \$22.9 million 5% convertible subordinated note due October 2015 (the "Note"). Iridium has determined that the embedded derivatives contained in the Note (including the conversion option, the Holder's put options and Iridium's call option) do not require separate accounting, and therefore Iridium accounted for the Note as a conventional convertible debt instrument. There are no beneficial conversion features associated with the Note. Interest on the Note began accruing in April 2009 at 5% per year. Iridium recorded periodic interest cost using the effective interest rate method.

Deferred Financing Costs

Costs incurred in connection with securing debt financing have been deferred and are amortized as additional interest expense using the effective interest method over the term of the related debt.

Comprehensive Income

Comprehensive income is as follows:

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	For the Year Ended		For the Year Ended	
	December 31,		December 31,	
	For the 2009 Period	2008	2007	
	(In thousands)			
Net income	\$ 53,284	\$ 53,879	\$ 43,773	
Increase (decrease) to fair value of interest rate swaps	2,028	470	(1,257)	
Cumulative translation adjustments	104			
Comprehensive income	\$ 55,416	\$ 54,349	\$ 42,516	

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

Asset Retirement Obligations

Liabilities arising from legal obligations associated with the retirement of long-lived assets are required to be measured at fair value and recorded as a liability. Upon initial recognition of a liability for retirement obligations, a company must record an asset, which is depreciated over the life of the asset to be retired.

Under certain circumstances, each of the U.S. government, The Boeing Company (Boeing) and Motorola, Inc. (Motorola) has the unilateral right to require the de-orbit of Iridium's satellite constellation. In the event Iridium was required to effect a mass de-orbit, Iridium, pursuant to the amended and restated operations and maintenance agreement with Boeing (the O&M Agreement), would be required to pay Boeing \$16.0 million, plus an amount equivalent to the premium for inception of Section B de-orbit insurance coverage (\$2.5 million as of December 31, 2008). Iridium has concluded that each of the foregoing de-orbit rights meets the definition of a legal obligation and currently does not believe the U.S. government, Boeing or Motorola will exercise their respective de-orbit rights. As a result, Iridium believes the likelihood of any future cash outflows associated with the mass de-orbit obligation is remote. Accordingly, Iridium has not recorded an asset retirement obligation relating to the potential de-orbit rights in its consolidated balance sheet.

There are other circumstances in which Iridium could be required, either by the U.S. government or for technical reasons, to de-orbit an individual satellite; however, Iridium believes that such costs would not be significant relative to the costs associated with the ordinary operations of the satellite constellation.

Revenue Recognition

Iridium derives its revenue primarily as a wholesaler of satellite communications products and services. The primary types of revenue include (i) services revenue (access and usage-based airtime fees) and (ii) subscriber equipment revenue. Additionally, Iridium generates revenue by providing engineering and support services to commercial and government customers.

Wholesaler of satellite communications products and services

Pursuant to wholesale agreements, Iridium sells its products and services to service providers who, in turn, sell the products and services to other distributors or directly to the end-users. Generally, Iridium recognizes revenue when services are performed or delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, and collection is probable, as follows:

Contracts with multiple elements

At times, Iridium sells subscriber equipment through multi-element contracts that bundle subscriber equipment with airtime services. When it sells subscriber equipment and airtime services in bundled arrangements that include guaranteed minimum orders and determines that it has separate units of accounting, Iridium allocates the bundled contract price among the various contract deliverables based on each deliverable's relative fair value. Iridium determines vendor specific objective evidence of fair value by assessing sales prices of subscriber equipment and airtime services when they are sold to customers on a stand-alone basis.

Services revenue sold on a stand-alone basis

Services revenue is generated from Iridium's service providers through usage of its satellite system and through fixed monthly access fees per user charged to service providers. Revenue for usage is recognized when usage occurs. Revenue for fixed-per-user access fees is recognized ratably over the period in which the services are provided to the end-user. Revenue from prepaid services is recognized when usage occurs or, if not used, when the customer's right to access the unused prepaid services expires. Iridium does not offer refund privileges for unused prepaid services. Deferred prepaid services revenue and access fees are typically earned and recognized as income within one year of customer prepayment. Based on historical information for prepaid scratch card services that do not have an initial expiration date, Iridium records

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breakage associated with prepaid scratch card account balances for which the likelihood of redemption is remote, which is generally determined after 36 months from issuance.

Subscriber equipment sold on a stand-alone basis

Iridium recognizes subscriber equipment sales and the related costs when title to the equipment (and the risks and rewards of ownership) passes to the customer, typically upon shipment.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009***Services and subscriber equipment sold to the U.S. government*

Iridium provides airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for unlimited voice services, (ii) fixed monthly fees per user for unlimited paging services and (iii) a tiered pricing plan (based on usage) per device for data services. Revenue related to these services is recognized ratably over the periods in which the services are provided; and costs are expensed as incurred. The U.S. government purchases its equipment from third-party service providers and not directly from Iridium.

Government engineering and support services

Iridium provides maintenance services to the U.S. government's dedicated gateway in Hawaii. This revenue is recognized ratably over the periods in which the services are provided; costs are expensed as incurred.

Other government and commercial engineering and support services

Iridium also provides certain engineering services to assist customers in developing new technologies for use on the Iridium satellite system. The revenue associated with these services is recorded when the services are rendered, typically on a percentage of completion method of accounting based on Iridium's estimate of total costs expected to complete the contract; and costs are expensed as incurred. Revenue on cost-plus-fixed-fee contracts is recognized to the extent of estimated costs incurred plus the applicable fees earned. Iridium considers fixed fees under cost-plus-fixed-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Warranty Expense

Iridium generally provides its customers a warranty on subscriber equipment for one to two years from the date of activation, depending on the product. A warranty accrual is made when it is estimable and probable that a loss has been incurred. A warranty reserve is maintained based on historical experience of warranty costs and expected occurrences of warranty claims on equipment. Costs associated with warranties are recorded as cost of subscriber equipment sales and include equipment replacements, repairs and program administration.

The following is a summary of the activity in the warranty reserve account:

	For the Year Ended		For the Year Ended	
	December 31,		December 31,	
	For the 2009 Period		2008	
	2008		2007	
	(In thousands)			
Balance at beginning of period	\$ (381)	\$ (483)	\$ (218)	
Provision	(1,256)	(318)	(610)	
Utilization	976	420	345	
Balance at end of period	\$ (661)	\$ (381)	\$ (483)	

Research and Development

Research and development costs are charged as an expense in the period in which they are incurred.

Advertising Costs

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Costs associated with advertising and promotions are expensed as incurred. Advertising expenses, primarily consisting of print media, were \$0.3 million, \$0.5 million and \$0.4 million in the 2009 Period and the years ended December 31, 2008 and 2007, respectively.

Income and Other Taxes

As a limited liability company that is treated as a partnership for federal income tax purposes, Iridium Holdings is generally not subject to federal or state income tax directly. Rather, each member is subject to income taxation based on the member's portion of Iridium Holdings income or loss, as defined in Iridium Holdings' amended and restated limited liability company agreement (the "LLC Agreement"). Iridium Holdings is subject to income taxes in certain non-U.S. jurisdictions in which its foreign affiliates operate.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

Accounting Developments

In February 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance that permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. This accounting guidance does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Iridium has chosen not to adopt the alternative provided in this statement.

In April 2009, the FASB issued accounting guidance for other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. The accounting guidance is effective for interim and annual periods ending after June 15, 2009. Iridium adopted the accounting guidance in the second quarter of 2009 and the adoption did not have a material impact on its financial position or results of operations.

In May 2009, the FASB issued accounting guidance for subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The accounting guidance applies prospectively to both interim and annual financial periods ending after June 15, 2009. Iridium adopted the accounting guidance for subsequent events in the second quarter of 2009 and the adoption did not have a material impact on the reporting of its subsequent events.

3. Transition Services, Products and Asset Agreement

General

On December 11, 2000, Iridium Holdings and Iridium Satellite LLC (Iridium Satellite), a wholly owned subsidiary of Iridium Holdings, entered into a Transition Services, Products and Asset Agreement (TSA) with Motorola. Certain obligations under the TSA have been fully performed, including Motorola s provision of services and transfers of assets, but other obligations are on-going, as described below.

The TSA requires that Iridium use Boeing to provide continuing steady-state operations and maintenance services with respect to the Satellite Network Operations Center, Telemetry, Tracking and Control stations and the on-orbit satellites (collectively, the Iridium System) (see Note 4). These services include, under certain circumstances, the removal of satellites in the constellation from operational or storage orbits and preparation for re-entry into the earth s atmosphere. In addition, Iridium must (i) obtain and pay the premium for an in-orbit insurance policy on behalf of Boeing and certain other beneficiaries, (ii) pay the premiums for an aviation products liability insurance policy obtained by Motorola, and (iii) maintain on deposit with Motorola an amount that at all times equals 150% of the current year s annual premium. The deposit of \$0.8 million as of December 31, 2008 is classified within deferred financing costs and other assets in the accompanying consolidated balance sheets. In addition, pursuant to the TSA and the O&M Agreement, Motorola has the right to cause the de-orbit of the constellation upon the occurrence of certain enumerated events.

Pursuant to the TSA, Class B Units were issued to Motorola in consideration of Motorola s transfer of certain licenses and equipment. These units have certain limited anti-dilution provisions (as described in the TSA).

Motorola Payables

The TSA also provides for the payment to Motorola of up to \$8.5 million plus accrued interest on certain principal upon the occurrence of a triggering event. A triggering event is defined as the occurrence of a change of control (as defined in the TSA), the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, a sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite, or upon reaching the date of December 11, 2010. This amount consists of three components: (i) a \$6.0 million commitment fee, (ii) \$1.25 million of deferred equipment financing and (iii) a \$1.25 million product manufacturing fee (plus, in the case of clauses (ii) and (iii), accrued interest from the effective date of the TSA to the date of payment at an annual interest rate of prime plus 3%).

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Iridium discounted the \$6.0 million commitment fee at an imputed rate of 12.5% over 10 years, resulting in an original issue discount of \$4.2 million. The net liability is included in the Motorola payable in the accompanying consolidated balance sheets as of December 31, 2008 and 2007, respectively. The \$1.25 million deferred equipment financing and accrued interest described above is also included in the Motorola payable at December 31, 2008 and 2007. Iridium does not believe it is obligated to pay to the product manufacturing fee noted above. See Note 19 for more information on the Motorola payables.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009****4. Boeing Operations and Maintenance Agreement**

On December 11, 2000, Iridium Constellation LLC (Iridium Constellation), a wholly owned subsidiary of Iridium Holdings, entered into an operations and maintenance agreement with Boeing, pursuant to which Boeing agreed to provide transition services and continuing steady-state operations and maintenance services with respect to the Iridium System (including engineering, systems analysis, and operations and maintenance services). Since Iridium Constellation initially entered into the agreement, there have been a number of amendments, including the O&M Agreement. As a result of these various amendments, the period of performance has been extended to be concurrent with the useful life of the satellite constellation, the schedule of monthly payments has been revised and a cost escalation according to a prescribed formula is now included. In addition, pursuant to the O&M Agreement, Boeing has the unilateral right to commence the de-orbit of the constellation upon the occurrence of certain enumerated events.

The O&M Agreement incorporates a revised de-orbit plan, which, if exercised, would cost approximately \$16.0 million plus an amount equivalent to the premium of Section B de-orbit insurance coverage to be paid to Boeing in the event of a mass de-orbit of the satellite constellation. Iridium caused to be issued to Boeing a \$15.4 million letter of credit as collateral for de-orbit costs. This letter of credit is cash collateralized, which is included in long-term restricted cash in the accompanying consolidated balance sheets.

Under the O&M Agreement, Iridium incurred expenses of \$37.7 million, \$48.7 million and \$47.0 million relating to satellite operations and maintenance costs for the 2009 Period and for the years ended December 31, 2008 and 2007, respectively.

The O&M Agreement previously provided for Boeing to receive an additional fee of 5% of any amounts distributed to Class A or Class B members of Iridium to the extent that such distributions did not constitute a return of members' capital contributions or distributions in respect of the members' tax liabilities. Boeing was entitled to receive, upon any sale or exchange of substantially all of the interests of the Class A and B members to an unrelated third party, 5% of the aggregate amount received by the Class A and B members. In 2007, Iridium and Boeing agreed to terminate Boeing's right to this additional fee in exchange for a payment of \$7.8 million, which was recorded as a prepaid expense. During the 2009 Period and for the years ended December 31, 2008 and 2007, related amortization expense was \$0.9 million, \$1.2 million, and \$0.9 million respectively. Of the remaining \$5.7 million, \$1.1 million was included in prepaid expenses and other current assets and \$4.6 million was included in deferred financing costs and other assets in the accompanying consolidated balance sheet as of December 31, 2008.

5. Property and Equipment

Property and equipment consisted of the following at:

	December 31, 2008	December 31, 2007
	(In thousands)	
Satellite system	\$ 47,052	\$ 47,332
Terrestrial system	8,958	9,453
Equipment	18,985	15,490
Gateway system	10,971	9,308
Internally developed software and purchased software	27,465	10,599
Building and leasehold improvements	11,299	9,160
	124,730	101,342
Less: accumulated depreciation	(66,514)	(57,426)

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	58,216	43,916
Land	1,280	1,280
Construction in process	3,594	14,763
Total property and equipment, net of accumulated depreciation	\$ 63,090	\$ 59,959

At December 31, 2008, construction in process consisted of assets being constructed for various uses including: equipment of \$0.7 million, gateway system assets of \$2.3 million, internally developed software of \$0.5 million and terrestrial system assets of \$0.1 million. At December 31, 2007, construction in process consisted of assets being constructed for various uses including: equipment of \$1.2 million, gateway system assets of \$0.1 million, internally developed software of \$13.3 million, and terrestrial system assets of \$0.2 million. Depreciation expense was \$10.9 million, \$12.5 million, and \$11.4 million for the 2009 Period and the years ended December 31, 2008 and 2007, respectively.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009****6. Credit Facility**

On July 27, 2006, Iridium entered into a \$170.0 million first lien credit facility and \$40.0 million second lien credit facility (collectively, the Credit Facility). The Credit Facility includes a \$98.0 million four-year first lien Tranche A term loan facility, a \$62.0 million five-year first lien Tranche B term loan facility, and a \$40.0 million six-year second lien term loan facility. In addition, the facilities include a \$10.0 million three-year revolving credit facility. The proceeds of the Credit Facility were used to repay Iridium's then existing credit facilities, provide cash collateral for letters of credit, return capital to Iridium's equity investors and for general corporate purposes including development of new and advanced devices and services. Iridium elected the Eurodollar base interest rate for the calculation of interest and currently uses the London Interbank Offered Rate (LIBOR), which is an acceptable substitute to the Eurodollar base rate according to the Credit Facility agreement.

Mandatory principal prepayments are required based on net cash proceeds related to debt or equity issuances and certain dispositions, as is a mandatory prepayment of 75% of excess cash flow, determined by a defined formula. Iridium must also maintain hedge agreements in order to provide interest rate protection on a minimum of 50% of the aggregate principal amounts outstanding during the first three years of the Credit Facility. As a result, Iridium entered into four interest rate swap agreements upon the closing of the Credit Facility that ranged in duration from one to four years and collectively in July 2006 provided interest rate protection on \$170.0 million (see Note 13).

The Credit Facility requires Iridium to abide by various covenants primarily related to limitations on liens, indebtedness, sales of assets, investments, dispositions, distributions to members, transactions with affiliates and certain financial covenants with respect to its consolidated leverage ratio on a quarterly basis. Iridium was compliant with all covenants required by the Credit Facility at December 31, 2008 and 2007. Substantially all of Iridium's assets are pledged as collateral for the Credit Facility.

On October 17, 2008, Iridium entered into Amendment No. 1 to the first lien credit facility (First Lien Amendment) and Amendment No. 1 to the second lien credit facility (Second Lien Amendment). The First Lien Amendment and Second Lien Amendment included the consent of the respective lenders to the issuance of the Convertible Subordinated Note with Greenhill & Co. Europe Holdings Limited (see Note 7).

Pursuant to the First Lien Amendment, Iridium and its requisite lenders agreed to, among other things: (i) increase the applicable margin for Eurodollar loans by 75 basis points to 5%; (ii) increase permitted capital expenditures for 2008 and 2009; (iii) permit distributions of up to \$37.9 million to the members of Iridium in 2008; (iv) require Iridium to prepay \$80.0 million of the outstanding balance if the Acquisition was consummated and \$15.0 million if the Acquisition was not consummated by June 29, 2009. \$15.0 million was paid in June 2009. If the Acquisition was consummated after June 29, 2009 Iridium was required to prepay the remaining \$65.0 million upon the Acquisition; and (v) to amend the definition of Change of Control to apply to the post-acquisition public company. Upon the execution of the First Lien Amendment, Iridium prepaid \$22.0 million of the outstanding balance under the first lien credit facility.

Pursuant to the Second Lien Amendment, Iridium and its requisite lenders agreed to, among other things: (i) increase the applicable margin for Eurodollar loans by 75 basis points to 9%; (ii) increase permitted capital expenditures for 2008 and 2009; (iii) permit distributions of up to \$37.9 million to the members of Iridium in 2008; and (iv) amend the definition of Change of Control to apply to the post-Acquisition public company. As a result of the Acquisition, Iridium Communications Inc. assumed liability for the Credit Facility and paid all outstanding amounts under the Credit Facility on September 30, 2009, which resulted in the Credit Facility being no longer in effect.

\$10.0 million First Lien Revolving Credit Facility

The proceeds of the revolving credit facility may be used for general corporate purposes of Iridium. Iridium paid an up-front fee of 2% on the revolving facility (\$0.2 million) and pays an annual unused facility fee of 0.5% on the available balance of the commitment on a quarterly basis. As of December 31, 2008, Iridium had not drawn any amounts under the revolving credit facility. Notwithstanding Iridium's rights to access the credit facility, Iridium is subject to counterparty risk associated with future access to the revolving credit facility, as one of the counterparties to the revolving credit facility filed for bankruptcy during 2008. The revolving credit facility matured on July 27, 2009.

\$98.0 million First Lien Tranche A Term Loan

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The Tranche A term loan matures on June 30, 2010, and requires quarterly principal payment amounts ranging from \$2.25 million to \$9.75 million. Quarterly interest payments are also made. LIBOR, including the applicable margin of 5.00% and 4.25%, was 8.47% and 9.24% at December 31, 2008 and 2007, respectively. Iridium can prepay the First Lien Tranche A term loan in its entirety for par. At December 31, 2008 and 2007, the outstanding principal balance was \$37.2 million and \$63.9 million, respectively. As a result of the Acquisition, Iridium Communications Inc. assumed the loan and the outstanding balance was paid on September 30, 2009.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009****\$62.0 million First Lien Tranche B Term Loan**

The Tranche B term loan matures on July 27, 2011, and requires quarterly principal payment amounts starting on September 30, 2010 in the amount of \$14.9 million. Quarterly interest payments are also made. LIBOR including the applicable margin of 5.00% and 4.25%, was 8.47% and 9.24% at December 31, 2008 and 2007, respectively. Iridium can prepay the First Lien Tranche B term loan in its entirety at par. At December 31, 2008 and 2007, the outstanding balance was \$59.7 million and \$60.5 million, respectively. As a result of the Acquisition, Iridium Communications Inc. assumed the loan and the outstanding balance was paid on September 30, 2009.

\$40.0 million Second Lien Term Loan

The Second Lien term loan matures on July 27, 2012, at which time the entire \$40.0 million principal amount is due. LIBOR including the applicable margin of 9.00% and 8.25%, was 12.47% and 13.24% at December 31, 2008 and 2007, respectively. Iridium is required to make quarterly interest payments. The Second Lien term loan can be prepaid in its entirety at 101% through July 27, 2009, and at par thereafter. At December 31, 2008 and 2007, the outstanding balance was \$40.0 million. As a result of the Acquisition, Iridium Communications Inc. assumed the loan and the outstanding balance was paid on September 30, 2009.

Commitments Under First and Second Lien Credit Facilities at December 31, 2008

As of December 31, 2008, the scheduled annual principal payments on the first and second lien credit agreements for each of the following four years were as follows (in thousands):

2009	\$ 30,379
2010	39,969
2011	26,572
2012	40,000
	\$ 136,920

Interest payable associated with the Credit Facility was \$2.4 million and \$2.9 million (included in accrued expenses and other current liabilities in the consolidated balance sheet) as of December 31, 2008 and 2007, respectively.

Deferred financing costs associated with the Credit Facility were \$4.4 million and \$5.2 million (included in deferred financing costs and other assets in the consolidated balance sheet) as of December 31, 2008 and 2007, respectively.

As a result of the Acquisition, Iridium Communications Inc. assumed the Credit Facility and the outstanding balance was paid on September 30, 2009.

7. Convertible Subordinated Note

In October 2008, Iridium issued to the Greenhill & Co. Europe Holdings Limited (the Holder), an affiliated company of GHQ, a \$22.9 million 5% convertible subordinated note due October 2015. Interest accrues beginning in April 2009 and is payable if and when the principal balance is paid in full. Under certain circumstances as described below, the Note is convertible, at the option of the holder, into a number of Class A Units equal to the principal amount plus accrued and unpaid interest divided by the conversion price in effect at that time. The initial conversion price is \$272.87, resulting in approximately 84,000 Class A Units due to the holder upon conversion of the Note. The conversion price is adjustable in certain circumstances, including as a result of Iridium issuing additional equity or equity-linked securities at an effective price less the

conversion price then in effect.

The Note is convertible in full at the option of the Holder, at any time and from time to time beginning on the later of (a) October 24, 2009, and (b) the earlier of the occurrence of a defined Termination Event or the closing of the transactions contemplated by the Transaction Agreement (if notice of exercise of the right to convert is given at least one business day before such closing).

If the closing of the Acquisition occurs prior to October 24, 2009, and the Holder has not converted the Note prior to the earlier of (i) the closing of such transactions (unless notice of exercise of the right to convert has been given by the Holder) or (ii) the closing of a defined qualified initial public offering of Iridium's equity securities, then the Holder's right to convert terminates and Iridium has the right to redeem the note at an amount equal to the principal amount plus any accrued and unpaid interest.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

The Holder may require, at its option, Iridium to repurchase the Note (i) upon a defined change in control of Iridium and (ii) in the event of a defined Termination Event occurring after January 31, 2013, at an amount equal to the principal amount plus any accrued and unpaid interest. The Note was converted into 1,995,629 shares of Iridium Communications Inc.'s common stock on October 24, 2009 and is no longer outstanding.

Deferred financing costs associated with the Note were \$0.5 million (included in deferred financing costs and other assets in the accompanying consolidated balance sheet) at December 31, 2008.

8. Motorola Note Agreement

On December 11, 2000, Iridium entered into a Senior Subordinated Term Loan Agreement (the "Note Agreement"), pursuant to which Iridium borrowed \$30 million from Motorola, as evidenced by a senior subordinated term note ("Motorola Note") dated December 11, 2000. The principal amount of, and all interest accrued on, the Motorola Note, was paid in full on May 27, 2005. However, as detailed below, certain payment obligations survive this repayment.

Under the Note Agreement, Iridium is required to pay Motorola a commitment fee of \$5.0 million upon the earlier of December 11, 2010, and the occurrence of a "trigger event." A "trigger event" means the first to occur of: (a) the occurrence of a change of control (as defined in the Note Agreement), (b) the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, or (c) the sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite. Iridium is accruing the commitment fee through December 2010 using the effective-interest method. As of December 31, 2008 and December 31, 2007, Iridium's liability approximated \$4.0 million and \$3.5 million, respectively, and is included in the Motorola payable (see Note 3) in the accompanying consolidated balance sheets.

Additionally, in the event of a "distribution event," Iridium is required to pay Motorola a loan success fee equal to the amount that a holder of Class B units in Iridium constituting 5% of the total number of issued and outstanding units (both Class A and B) would have received in the distribution event. A "distribution event" means the (i) direct or indirect (a) payment of any dividend or other distribution (in the form of cash or otherwise) in respect of the equity interests of Iridium or (b) purchase, conversion, redemption or other acquisition for value or otherwise by Iridium of any equity interest in Iridium or (ii) initial public or any secondary offering by Iridium Holdings or Iridium Satellite in which any holders of equity interests in Iridium are afforded the opportunity to participate as a selling equity holder in such offering. Iridium paid Motorola \$2.2 million in loan success fees as required in the year ended December 31, 2008, and \$0 in the 2009 Period and the year ended December 31, 2007 (see Note 11).

Finally, in addition to the above obligations, upon the first to occur of (a) any change of control (as defined in the Note Agreement) or (b) the sale of all or a material portion of Iridium Holdings or Iridium Satellite, Iridium is required to pay a cash amount equal to the lesser of (i) an amount to be determined based on a multiple of earnings before interest, taxes, depreciation, and amortization less capital contributions not returned to Class A Unit holders and the amount of the \$5.0 million commitment fee discussed above which has been or is concurrently being paid and (ii) the value of the consideration that a holder of Class B Units in Iridium constituting 5% of the total number of issued and outstanding units (both Class A and B) would receive in the transaction. See Note 19 for information on Motorola's claim against Iridium in 2010.

9. Commitments and Contingencies

Supplier Purchase Commitments

Iridium entered into a manufacturing agreement with a supplier to manufacture subscriber equipment, which contains minimum monthly purchase requirements. As a result of customer demand for subscriber equipment, Iridium's purchases have exceeded the monthly minimum requirement since inception. Iridium previously issued a \$2.9 million letter of credit to the supplier as collateral for certain purchase commitments the supplier made on behalf of Iridium for component parts required. In 2008, Iridium and the supplier reached an agreement to release the \$2.9 million letter of credit, which is no longer classified as restricted cash in Iridium's balance sheet at December 31, 2008.

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Unconditional purchase obligations for subscriber equipment and various goods and services totaled \$22.5 million at December 31, 2008, and are expected to be fulfilled within one year.

Unconditional purchase obligations under the O&M Agreement totaled \$250.3 million at December 31, 2008. Iridium expects to make annual cash payments of \$50.1 million through December 31, 2013, in fulfillment of these purchase obligations.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009****In-Orbit Insurance**

Due to various contractual requirements, Iridium is required to maintain an in-orbit insurance policy with a de-orbiting endorsement to cover potential claims relating to operating or de-orbiting the satellite constellation. The policy covers Iridium, Boeing as operator (see Note 4), Motorola (the original system architect and prior owner), Lehman Commercial Paper, Inc., contractors and subcontractors of the insured, the U.S. government and certain other sovereign nations.

The current policy has a one-year term, which expires December 12, 2009. The policy coverage is separated into Sections A and B. Liability limits for claims under each of Sections A and B are \$500 million per occurrence and \$1 billion in the aggregate. The deductible for claims is \$250,000 per occurrence.

Section A coverage is currently in effect and covers risks in connection with in-orbit satellites. Section B coverage is effective once requested by Iridium (the Attachment Date) and covers risks in connection with a decommissioning of the satellite system. The term of the coverage under Section B is 12 months from the Attachment Date. The premium for Section B coverage is \$2.5 million and is payable on or before the Attachment Date. As of December 31, 2008, Iridium had not requested Section B coverage since no decommissioning activities are currently anticipated.

The balance of the unamortized premium payment for Section A coverage is included in prepaid expenses and other current assets in the accompanying consolidated balance sheets. Iridium has not accrued for any deductible amounts related to either Section A or B of the policy as of December 31, 2008, since management believes that the likelihood of an occurrence is remote.

Operating Leases

Iridium leases land, office space, and office and computer equipment under noncancelable operating lease agreements. Most of the leases contain renewal options of 1 to 10 years. Iridium's obligations under the current terms of these leases extend through 2016.

Additionally, several of Iridium's leases contain clauses for rent escalation including but not limited to a pro-rata share of increased operating and real estate tax expenses. Rent expense is recognized pursuant to the existing accounting guidance, on a straight-line basis over the lease term.

Future minimum lease payments, by year and in the aggregate, under noncancelable operating leases at December 31, 2008, were as follows (in thousands):

Years ending December 31,	Operating Lease
2009	\$ 1,763
2010	1,930
2011	1,973
2012	2,011
2013	1,744
Thereafter	1,960
	\$ 11,381

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Rent expense for the 2009 Period and the years ended December 31, 2008 and 2007 was \$1.4 million, \$1.5 million, and \$1.4 million, respectively. In 2008, the Company commenced the lease of a new corporate facility in Tempe, Arizona. The facility will be used primarily for administrative purposes and is approximately 25,500 square feet. The lease term will expire in March 2016.

Contingencies

From time to time, in the normal course of business, Iridium is party to various pending claims and lawsuits. Other than the Motorola action described in Note 19, Iridium is not aware of any such actions that Iridium would expect to have a material adverse impact on Iridium's business, financial results or financial condition.

Iridium, a director, and a former officer were named as defendants in a lawsuit commenced in 2007 by a former member of Iridium's Board of Directors (the Plaintiff). The lawsuit alleges, among other things, defamation and tortious interference with the Plaintiff's economic/business relationship with his principal, an investor in Iridium. These actions seek compensatory and other damages, and costs and expenses associated with the litigation. Iridium settled this claim in May 2009.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

Iridium was named as a defendant in a lawsuit commenced in December 2008 by a vendor alleging copyright infringement by Iridium of certain software owned by the vendor. The lawsuit seeks (i) actual damages and any infringer's profits of Iridium attributable to the alleged infringement, (ii) punitive damages, (iii) statutory damages, including certain enhanced damages based on Iridium's alleged willful conduct (as an alternative to the damages specified in (i) and (ii) above), (iv) a permanent injunction, and (v) costs and attorney's fees under applicable law. Iridium settled this claim in May 2009.

Iridium NEXT

Iridium has selected two contractors to participate in the final phase of its procurement process for Iridium NEXT. This final phase is expected to end with Iridium awarding a full-scale development agreement for Iridium NEXT to one prime contractor by mid-2009. The contractor not selected as the prime contractor will be paid a bonus payment if they have successfully completed all milestones and deliverables required under this phase of the contract. The potential bonus payments range from \$0 to \$10 million. As of December 31, 2008, Iridium has accrued \$3.9 million in connection with this potential bonus payment.

10. Equity Based Compensation

Interests in Iridium Employee Holdings LLC

Iridium, in its role as manager of Iridium Employee Holdings LLC (Iridium Employee Holdings), has granted certain key employees equity interests in Iridium Employee Holdings. Iridium Employee Holdings was created solely to own certain Class B non-voting units of Iridium and has no other operations. Each interest in Iridium Employee Holdings represents and is equivalent to ownership of 15.484 Class B Units of Iridium. Interests in Iridium Employee Holdings generally vest over a three to five year period, and Iridium Employee Holdings is only required to make distributions with respect to vested portions thereof. If an employee terminates employment with Iridium, unvested interests are forfeited. Additionally, all interests fully vest in the event of a change in control of Iridium. With respect to some of the interests granted to employees, a designated threshold amount must be exceeded before employees become entitled to receive distributions with respect to their Iridium Employee Holdings equity interests (and all distributions are first applied (without regard to vesting) against the threshold amount until it has been fully satisfied). The Class B Units of Iridium held by Iridium Employee Holdings are subject to the same vesting and threshold amount provisions that apply to Iridium Employee Holdings equity interests granted to employees. As a result of the Acquisition, all interests were accelerated in vesting and converted into shares of Iridium Communications Inc.'s common stock and cash.

Interests in Employee Holdings LLC

In 2008, Iridium, in its role as manager of Employee Holdings LLC (Employee Holdings), granted certain executive-level employees equity interests in Employee Holdings. A total of 51,466 equity interests in Employee Holdings were issued as a result of this grant. Employee Holdings was created solely to own certain Class B non-voting units of Iridium and has no other operations. Each interest in Employee Holdings is intended to represent and is equivalent to ownership of one Class B Unit of Iridium. Certain grants in Employee Holdings are fully vested on the date of grant; others vest over a three- to four-year period, in each case subject to the continued employment of the recipient. The equity interests in Employee Holdings contain restrictions on transfer and a right of first refusal and Employee Holdings has repurchase rights from the recipients in the event of a termination of service. Equity interests in Employee Holdings have a right to equivalent distributions to those paid to Class B Unit holders of Iridium, provided, however, that all such distributions are first applied toward the satisfaction of a designated threshold amount (without regard to vesting). Once the threshold amount is satisfied, distributions to holders of interests in Employee Holdings are paid with respect to vested portions of the grant and deferred with respect to unvested portions. If an employee terminates his employment with Iridium, unvested equity interests are forfeited. Additionally, equity interests fully vest in certain cases in the event of a change in control of Iridium and in other cases in the event of a termination of service as a result of such a change in control of Iridium. The Class B Units of Iridium held by Employee Holdings are subject to the same vesting and threshold amount provisions that apply to the Employee Holdings equity interests granted to employees. As a result of the Acquisition, all interests were accelerated in vesting and converted into shares of Iridium Communications Inc.'s common stock and cash.

Equity Compensation

During the 2009 Period and the years ended December 31, 2008, and 2007, Iridium recognized \$2.6 million, \$2.0 million, and \$0.2 million, respectively, of equity-based compensation expense related to the interests granted to certain key employees. At December 31, 2008, there was \$3.0 million of unrecognized compensation expense related to non-vested equity-based compensation awards that was to be recognized over a weighted-average period of approximately one year.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009**

The following schedule provides a summary of Iridium's nonvested Class B Units at September 29, 2009 and changes during the 2009 Period:

	Nonvested Class B Units	Wtd. Avg. Grant Date Fair Value Per Unit
Nonvested Class B Units at December 31, 2008	41,023	\$ 76.04
Vested	(41,023)	\$ 76.04
Nonvested Class B Units at September 29, 2009		\$

As a result of the Acquisition, certain employee share-based awards and certain other employee benefits were automatically accelerated in vesting. The acceleration resulted in \$3.8 million being expensed in the 2009 Period. As of September 29, 2009, the closing date of the Acquisition, there were no equity based awards outstanding.

Profits Interests

Iridium has granted certain key executives and non-employee members of Iridium's board of directors (the Board) cash payment rights, or profits interests. These interests do not give the holder any equity ownership interest in Iridium, but are intended to convey to the holder an economic interest similar to the appreciation in value of Class B Units in Iridium. Certain profits interest grants were fully vested at the date of grant, others vest over a three to four year period, in each case subject to the continued employment or Board service of the recipient. The profits interests grants set forth a pro-rata threshold equity valuation of Iridium. All distributions received by Class B holders after the date of grant of the profits interests are aggregated, and once the pro-rata threshold value is exceeded, the recipient of the profits interests becomes entitled to receive, upon an applicable payment event, cash equal to the aggregate distributions he would have received if he had held Class B Units of Iridium from the date of grant of the profits interest through the date on which the applicable payment event occurs. Vested profits interest rights will remain outstanding following termination of employment or Board service and will become payable upon the earlier of a change in control event, within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury regulations issued thereunder, or December 31, 2017 (at which time the profits interest rights will terminate).

During the 2009 Period and for the years ended December 31, 2008 and 2007, Iridium recognized \$2.8 million, \$0.9 million and \$2.7 million, respectively, of compensation expense related to profits interests. As of December 31, 2007, there was approximately \$6.0 million of unrecognized compensation expense related to nonvested profits interests awards that was to be recognized over a weighted-average period of approximately 2.6 years. As of December 31, 2008, there was \$1.6 million of unrecognized compensation expense related to non-vested profits interests awards that was to be recognized over a weighted-average period of approximately 1.7 years. Iridium will re-measure its liabilities under these payment arrangements at each reporting date until the profits interests are terminated or otherwise settled. The liability balance for profits interests was \$1.9 million and \$2.5 million at December 31, 2008 and 2007, respectively. As a result of the Acquisition, certain employee share-based awards and certain other employee benefits were automatically accelerated in vesting and full payment of this profits interests was made. As of September 29, 2009, the closing date of the Acquisition, there were no grants of profits interests outstanding.

In 2008, in consideration for terminating their profits interests awards, certain employees received grants in Employee Holdings, as discussed above, and two non-employee Board members received grants of Class B units in Iridium (which units are only entitled to receive distributions from Iridium once such distributions exceed a designated threshold amount and are subject to forfeiture if the Board member voluntarily resigns or is removed from the Board before the expiration of his then current term). As a result, the corresponding profits interests liability of \$1.7 million was reclassified to members' deficit during 2008.

11. Members Equity

Classes of Membership Units

Pursuant to the LLC Agreement, the members' interests in Iridium are divided into Class A and Class B Units. There are 1,083,872 Class A Units outstanding and 518,012 Class B Units outstanding at December 31, 2008. As a result of the Acquisition, Class A and Class B Units were converted into common stock of Iridium Communications Inc.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

A description of each of the classes of membership units follows:

Class A Units All voting rights of the members are vested in the Class A Units. Class A members whose agreed capital commitments were at least \$10.0 million or \$20.0 million are entitled to appoint, remove, or replace one or two directors to the Board, respectively. Those directors designated by a Class A member who is not in default of its obligations to make capital contributions or provide credit enhancements for the benefit of Iridium are entitled to cast, in the aggregate, such number of votes as equals the member's agreed capital commitment divided by \$10.0 million, rounded down to the nearest whole number, allocated among the directors (if such member has appointed more than one) as the member may specify. In addition, the current Chairman of Iridium is entitled to cast one vote.

The Class A members may manage Iridium only through their designated directors and have no authority in their capacity as members to act on behalf of or bind Iridium. The Board may issue additional Class A Units, but the Class A members have the preemptive right to participate unless such offering involves a business acquisition or combination. To the extent a Class A member declines to exercise its preemptive right, the other Class A members succeed to such right on a proportionate basis. In addition, Class A members have a right of first refusal on proposed sales of both Class A and Class B Units by other members.

Each Class A member has the right to receive the return of its capital contributions before any distributions are made to Class B members. As of December 31, 2008, all capital contributions had been repaid to Class A members.

Class B Units Pursuant to the LLC Agreement, members holding Class B Units have rights that expressly exclude any right to vote for or appoint directors. Additionally, Class B members receive no distributions until such time as the Class A members have received the return of their full capital contributions. Distributions to certain Class B members are also subject to limitations regarding vesting conditions and satisfaction of threshold amounts (see Note 10). The Board may issue additional Class B Units provided, however, that without the approval of two-thirds of the number of votes entitled to be cast by the directors, the number of Class B Units issued or reserved for issuance may not exceed a certain percentage of the total number of Class A Units and Class B Units then issued or reserved for issuance.

Allocation of Profits and Losses

The LLC Agreement provides that Iridium profits or losses for any fiscal year will be allocated among the members as follows: For losses (i) to each of the members to the extent of (1) the aggregate amount of profit allocated to such member for prior fiscal years reduced by (2) the aggregate amount of loss allocated to such member in prior fiscal years, in proportion to the aggregate net profit for prior years of all the members then, (ii) to each of the members having a positive capital account balance to the extent of and in proportion to such balances, thereafter, (iii) in accordance with the members' respective percentage interests. For profits, (i) to each of the members to the extent of (1) the aggregate amount of losses allocated to such member in prior fiscal years reduced by (2) the aggregate amount of profit allocated to such member in prior fiscal years in proportion to the aggregate net loss for prior years of all the members, thereafter (ii) in accordance with the members' respective percentage interests.

Distributions

The Board determines available cash flow for distribution, but any such distribution may be made only in accordance with the following priorities: (i) to return to the Class A members their capital contributions not previously returned in proportion to the aggregate amount then remaining unreturned, then (ii) after the capital contributions of the Class A members have been returned in full, to all of the members in accordance with their respective percentage interests.

It is Iridium's intent to distribute to all of the members such amounts as the Board from time to time determines are necessary to defray the federal, state, and local income tax liabilities incurred by the members as a result of including in their gross income their distributive share of Iridium's income and gain. However, Iridium's Credit Facility (see Note 6) contains covenants that restrict the amount of distributions Iridium can make to its members.

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The net proceeds of a liquidation of Iridium's assets and properties in connection with the winding up of Iridium are applied as follows: (i) payment of the debts and liabilities of Iridium (including those owed to members) and the expenses of liquidation; (ii) setting up of such reserves as the person charged with winding up Iridium's affairs may reasonably deem necessary for any contingent liabilities or obligations. The balance of such reserves, if any, shall be distributed to the members in the priority set forth above.

No distribution was made to Class A or B members in the 2009 Period or in 2007. In 2008, Iridium made distributions of \$41.8 million to Class A and B members on a pro-rata basis.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

Transfer of Interests

Except for a transfer to an affiliate, no member has the right to transfer all or any part of such member's units in Iridium, and no transferee is entitled to become a substituted member or to exercise any of the rights of a member, except with the consent of two-thirds of the total number of votes entitled to be cast by all of the directors of Iridium.

Indemnification

The LLC Agreement provides that Iridium will indemnify its members, officers, directors and employees for liability and expenses incurred by any such person to the fullest extent permitted by law for actions taken in good faith on behalf of Iridium if such actions were reasonably believed to be within the scope of authority conferred to the person by Iridium or in accordance with the LLC Agreement.

Issuance/Forfeitures of Class B Units

During the year ended December 31, 2007, Iridium issued (subject to vesting requirements) an additional 15,390 Class B Units for the benefit of management personnel (representing 1.0% of the total outstanding units of Iridium at December 31, 2007). A member of Employee Holdings left Iridium during 2007 forfeiting an equivalent of 1,539 unvested units in Iridium (representing 0.1% of the total outstanding units of Iridium at December 31, 2007).

During the year ended December 31, 2008 Iridium issued (subject to vesting requirements) an additional 59,382 Class B Units (representing 3.71% of the total outstanding units of Iridium at December 31, 2008). The Class B Units were issued in exchange for certain profits interest awards that were held by key executives and members of the Board. The exchange resulted in canceling the majority of outstanding profits interest awards and the issuance of Class B Units in return. The economic interest of the canceled profits interest awards are consistent with the replacement Class B Units.

During the 2009 Period, no Class B Units were issued.

Class B Units issued to key executives and members of the board are typically subject to designated threshold amounts. Distributions are first applied toward the satisfaction of the designated threshold (without regard to vesting). Once the threshold amount is satisfied, distributions are paid with respect to the vested portions of the grant. Designated thresholds vary by grant and are up to \$4.3 million.

Class B units granted to directors are subject to forfeiture if the director voluntarily resigns or is removed from the Board before the expiration of his then current term. As a result of a director voluntarily resigning from the Board in February 2009, 3,958 Class B units were forfeited.

12. Segments, Significant Customers, Supplier, and Service Providers and Geographic Information

Iridium operates in one segment, providing global satellite communication services and products.

Iridium derived approximately 23%, 21% and 22% of its total revenue during the 2009 Period and for the years ended December 31, 2008 and 2007, respectively, from agencies of the U.S. government. Such agencies also accounted for approximately 29% and 41% of Iridium's accounts receivable balances at December 31, 2008 and 2007, respectively. Iridium's two largest commercial customers accounted for 23%, 28% and 25% of total revenue for the 2009 Period and for the years ended December 31, 2008 and 2007, respectively. The two largest commercial customers accounted for approximately 24% and 20% of Iridium's accounts receivable balances at December 31, 2008 and 2007, respectively.

Iridium acquires subscriber equipment primarily from one manufacturer. Should events or circumstances prevent the manufacturer from producing the equipment, Iridium's business could be adversely affected until Iridium is able to move production to other facilities of the manufacturer or secure a replacement manufacturer.

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A significant portion of Iridium's satellite operations and maintenance services are provided by Boeing. Should events or circumstances prevent Boeing from providing these services, Iridium's business could be adversely affected until Iridium is able to assume operations and maintenance responsibilities or secure a replacement service provider.

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Property and equipment, net of accumulated depreciation by geographic area, were as follows:

	December 31, 2008	December 31, 2007
	(In thousands)	
United States	\$ 44,332	\$ 38,486
Satellites in orbit	16,547	19,820
All others ⁽¹⁾	2,211	1,653
	\$ 63,090	\$ 59,959

(1) All others primarily includes subscriber equipment in international waters.

Revenue by geographic area was as follows:

	For the Year Ended December 31, 2008	For the Year Ended December 31, 2007
	(In thousands)	
United States	\$ 115,901	\$ 125,251
Canada	37,087	44,211
United Kingdom	23,461	20,951
Other countries ⁽¹⁾	66,502	70,488
	\$ 242,951	\$ 260,901

(1) No one other country represented more than 10% of revenue for any of the periods presented.

Revenue is attributed to geographic area based on the billing address of the distributor. Service location and the billing address are often not the same. Iridium's distributors sell services directly or indirectly to end-users, who may be located or use Iridium's products and services elsewhere. Iridium cannot provide the geographical distribution of end-users because it does not contract directly with them. Iridium does not have significant foreign exchange risk on sales, as nearly all invoices are denominated in United States dollars.

13. Fair Value Measurements

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

Level 1, defined as observable inputs such as quoted prices in active markets for identical assets;

Level 2, defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

At December 31, 2008, all of Iridium's financial and non-financial assets and liabilities were measured using either Level 1 or Level 2 inputs.

Financial Assets and Liabilities

The following table summarizes information about Iridium's financial assets and liabilities that were measured at fair value on a recurring basis as of December 31, 2008 and 2007:

	Total	Fair Value Measurements at December 31, 2008 Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(In thousands)		
Restricted cash	\$ 15,520	\$ 15,520	\$	\$
Interest rate swaps	(3,588)		(3,588)	
Foreign currency exchange contracts	(1,082)		(1,082)	
	\$ 10,850	\$ 15,520	\$ (4,670)	\$

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009**

	Fair Value Measurements at December 31, 2007 Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1) (In Thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Restricted cash	\$ 18,420	\$ 18,420	\$	\$
Interest rate swaps	(3,737)		(3,737)	
	\$ 14,683	\$ 18,420	\$ (3,737)	\$

Cash, Cash Equivalents and Restricted Cash

All cash and cash equivalents were recorded at fair value at December 31, 2008 and 2007. The inputs used in measuring the fair value of these instruments were considered to be Level 1 in accordance with the fair value hierarchy. The fair values were based on period-end statements supplied by the various banks and brokers that held the majority of Iridium's funds deposited in institutional money market mutual funds (for overnight sweep account funds) and the remainder held in regular interest bearing and non-interest bearing depository accounts and certificates of deposits with commercial banks.

Short-term Financial Instruments

The fair values of short-term financial instruments (primarily cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities) approximate their carrying values because of their short-term nature.

Credit Facilities

The fair values of the credit facilities at December 31, 2008 were 88% of the carrying values for each of the First Lien Tranche A, the First Lien Tranche B and the second lien.

Convertible Subordinated Note

Iridium has determined that it is not practicable to estimate the fair value of the Note at December 31, 2008 due to the lack of quoted market prices. Iridium was unable to identify any similar instruments in the market place and the Note is carried at face amount. In the 2009 Period, Iridium obtained a third party valuation on the Note and the fair value of the Note was \$19.3 million at the close of the Acquisition. The Note was converted into 1,995,629 shares of Iridium Communications Inc.'s common stock on October 24, 2009.

Interest Rate Swaps

Iridium accounts for its interest rate swaps on the balance sheet at their respective fair values. As required by Iridium's credit facilities, management executed four pay-fixed receive-variable interest rate swaps in 2006, all of which were settled on or before September 29, 2009. Iridium hedged \$86.0 million of variable interest rate debt as of December 31, 2008 and \$146.0 million as of December 31, 2007. The interest rate swaps were designated as cash flow hedges. The objective for holding these instruments was to manage variable interest rate risk related to Iridium's \$210.0 million credit facilities, by synthetically converting a portion of the variable rate risk to fixed rate interest rate risk. The swaps were structured so that Iridium would pay a fixed rate of interest and receive a variable interest payment, which, to the extent hedged, should offset the variable interest that was being paid on its debt.

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009**

The principal market in which Iridium executes interest rate swap contracts is the retail market. For recognizing the most appropriate value, the highest and best use of Iridium's derivatives are measured using an in-exchange valuation premise that considers the assumptions that market participants would use in pricing the derivatives. Iridium has elected to use the income approach to value the derivatives, using observable Level 2 market expectations at the measurement date and standard valuation techniques to convert future amounts to a single present amount (discounted) assuming that participants are motivated, but not compelled to transact. Level 2 inputs for the swap valuations are limited to quoted prices for similar assets or liabilities in active markets (specifically futures contracts on LIBOR for the first two years) and inputs other than quoted prices that are observable for the asset or liability (specifically LIBOR cash and swap rates, and credit default swap rates at commonly quoted intervals).

Mid-market pricing is used as a practical expedient for fair value measurements. Key inputs, including the cash rates for very short term, futures rates for up to two years and LIBOR swap rates beyond the derivative maturity are compared to provide spot rates at resets specified by each swap as well as to discount those future cash flows to present value at the measurement date. Inputs are collected on the last market day of the period. The same rates used to compare the yield curve are used to discount the future cash flows. A credit default swap basis available at commonly quoted intervals is collected and applied to all cash flows when the swap is in an asset position pre-credit effect.

The variable interest rates on the swaps reset every quarter concurrent with the reset of the variable rate on the debt. The fixed rate will not change over the life of the swap. Each quarter-end, the swaps are measured against current interest rates to determine a fair market value. The fair market value is recorded on the balance sheet and the offset to the value, to the extent effective, is recorded in accumulated other comprehensive income. The effectiveness of the swaps in offsetting the gain or loss on the debt is assessed on a contract-by-contract basis quarterly, by regressing historical changes in the value of the swap against the historical change in value of the underlying debt. To establish a value for the underlying debt, a hypothetical derivative is created with terms that match the debt (e.g., notional amount, reset rates and terms, maturity) and which has a zero fair value at designation. Subsequent to the closing of the Acquisition, Iridium closed the outstanding interest rate swaps, which had no impact on the statements of income.

Foreign Currency Exchange Contracts

Iridium enters into foreign currency exchange contracts to mitigate foreign currency exposure on a product consulting service contract denominated in foreign currency. Given the variability of its purchase commitments and payment terms under the product consulting service contracts, Iridium has not elected hedge accounting for these foreign currency exchange contracts. Accordingly, the foreign currency exchange contracts are marked to market at each balance sheet date, with the changes in fair value being recognized as a current period gain or loss in the accompanying consolidated statements of income. The inputs used in measuring the fair value of these instruments are considered to be Level 2 in the fair value hierarchy. The fair market values are based on quoted market values for similar contracts.

Derivative Instruments and Hedging Activities

The following table summarizes the gross fair market value of all derivative instruments classified as liabilities (consisting of interest rate swaps and foreign currency exchange contracts) and their location in the accompanying consolidated balance sheet at December 31, 2008. Iridium did not hold derivative instruments classified as assets at December 31, 2008.

	Balance Sheet Location	Fair Value (In thousands)
Derivatives designated as hedging instruments:		
Interest rate swaps	Accrued expenses and other current liabilities	\$ (3,588)

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Total derivatives designated as hedging instruments		(3,588)
Derivatives not designated as hedging instruments:		
Foreign currency exchange contracts	Accrued expenses and other current liabilities	(1,082)
Total derivatives not designated as hedging instruments		(1,082)
Total derivatives		\$ (4,670)

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009**

The following table summarizes the effect of derivative instruments designated as cash flow hedges (interest rate swaps) on Iridium's results of operations for the 2009 Period:

	Amount of Loss Recognized in OCI on Derivative (Effective Portion)	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	For the 2009 Period		
			Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) (In thousands)	Location of Loss Recognized in Income on Derivative (Ineffective Portion)	Amount of Loss Recognized in Income on Derivative (Ineffective Portion)
Derivatives in Cash Flow Hedging Relationships					
Accumulated other comprehensive loss	\$ (295)	Interest expense	\$ (2,323)	Interest expense	\$ (10)
Total	\$ (295)		\$ (2,323)		\$ (10)

The following table summarizes the effect of derivative instruments not designated as hedges (foreign currency exchange contracts) on Iridium's results of operations for the 2009 Period:

Derivatives Not Designated as Hedging Instruments	For the 2009 Period	
	Location of Gain or (Loss) Recognized in Income on Derivative (In thousands)	Amount of Gain or (Loss) Recognized in Income on Derivative (In thousands)
Foreign currency exchange contracts	Other income	\$ 298
Total		\$ 298

14. Employee Benefit Plan

Iridium sponsors a defined-contribution 401(k) retirement plan (Plan) that covers all employees of Iridium. Employees are eligible to participate in the Plan on the first of the month following date of hire, and participants are 100% vested from the date of eligibility. Iridium matches employees' contributions equal to 100% of the salary deferral contributions up to 5% of the employees' compensation. Company-matching contributions to the Plan were \$0.8 million, \$0.8 million, and \$0.6 million for the 2009 Period and for the years ended December 31, 2008 and 2007, respectively. Iridium pays all administrative fees related to the Plan.

15. Indemnification Agreement

Iridium Satellite, Boeing, Motorola and the U.S. government entered into an indemnification agreement, effective December 5, 2000, that provides, among other things, that: (a) Iridium Satellite will maintain satellite liability insurance (see Notes 4 and 9); (b) Boeing will maintain aviation and space liability insurance; and (c) Motorola will maintain aviation products completed operations liability insurance. Pursuant to the indemnification agreement, the U.S. government may, in its sole discretion, require Iridium, Boeing or either of them to immediately de-orbit the Iridium satellites at no expense to the U.S. government upon the occurrence of certain enumerated events. However, management does not believe the U.S. government will exercise this right.

16. Related Party Transactions

A non-voting board member served on the Board of Directors of Iridium and was an employee of Wiley Rein LLP as of December 31, 2008 and through the date of the Acquisition in 2009. Wiley Rein LLP provides services to Iridium. For the 2009 Period, total fees paid to Wiley Rein LLP were \$2.2 million. As of December 31, 2008, the amount owed to Wiley Rein LLP was \$0.3 million.

17. Earnings Per Unit Attributable to Class A Units

Basic earnings per unit is calculated by dividing net income attributable to Class A Unit holders by the weighted average of the Class A Units outstanding for the period. Net income attributable to Class A Unit holders gives effect to the net income

Table of Contents**Iridium Holdings LLC Predecessor Company****Notes to Consolidated Financial Statements (Continued)****September 29, 2009**

allocable to Class B Unit holders as if such net income was distributed in the applicable period pursuant to the terms of the LLC Agreement. Diluted earnings per Class A Unit takes into account the conversion of the Note when such effect is dilutive.

	For the Year Ended December 31, For the 2009 Period 2008		For the Year Ended December 31, 2007
	(In thousands except per unit data)		
Numerator:			
Net income	\$ 53,284	\$ 53,879	\$ 43,773
Adjustments for Class B Units earnings participation	(17,141)	(17,423)	(12,947)
Net income attributable to Class A Units, basic	36,143	36,456	30,826
Adjustment for interest on Note	936	208	
Net income attributable to Class A Units, diluted	\$ 37,079	\$ 36,664	\$ 30,826
Denominator:			
Weighted-average Class A Units outstanding, basic	1,084	1,084	1,084
Units from assumed conversion of Note	84	14	
Weighted-average Class A Units outstanding, diluted	1,168	1,098	1,084
Earnings per unit:			
Basic	\$ 33.34	\$ 33.63	\$ 28.44
Diluted	\$ 31.75	\$ 33.40	\$ 28.44

18. Selected Quarterly Information (Unaudited)

	For the 2009 Period		
	Quarter Ended March 31, 2009	Quarter Ended June 30, 2009	For the Period from July 1, 2009 to September 29, 2009
	(In thousands)		
Total revenue	\$ 75,789	\$ 82,705	\$ 84,457
Operating profit	\$ 14,425	\$ 32,663	\$ 18,355
Net income	\$ 9,718	\$ 28,600	\$ 14,966
Net income attributable to Class A Units	\$ 6,592	\$ 19,399	\$ 10,152
Earnings per unit - basic	\$ 6.08	\$ 17.90	\$ 9.37
Earnings per unit - diluted	\$ 5.91	\$ 16.88	\$ 8.96

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For the Year Ended December 31, 2008
Quarter Ended **Quarter Ended**
March 31, **June 30,** **Quarter Ended** **Quarter Ended**
2008 **2008** **September 30, 2008** **December 31, 2008**
(In thousands)

Total revenue	\$ 74,300	\$ 81,678	\$ 88,213	\$ 76,753
Operating profit	\$ 21,462	\$ 22,893	\$ 21,699	\$ 9,065
Net income	\$ 16,722	\$ 18,676	\$ 16,937	\$ 1,544
Net income attributable to Class A Units	\$ 11,314	\$ 12,637	\$ 11,461	\$ 1,044
Earnings per unit - basic	\$ 10.44	\$ 11.66	\$ 10.57	\$ 0.96
Earnings per unit - diluted	\$ 10.44	\$ 11.66	\$ 10.57	\$ 0.96

The sum of the per unit amounts do not equal the annual amounts due to changes in the number of weighted average units outstanding during the year.

Iridium's results of operations are subject to seasonal usage changes for its commercial customers. April through October are typically the peak months for commercial voice service revenue and related subscriber equipment sales. Iridium's U.S. government revenue and commercial M2M revenue are less subject to seasonal usage changes.

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Iridium Holdings LLC Predecessor Company

Notes to Consolidated Financial Statements (Continued)

September 29, 2009

19. Subsequent Events

Iridium has evaluated subsequent events through the date as of which its financial statements are being issued.

Iridium Communications Inc. assumed and paid all outstanding amounts for Iridium's first and second lien credit facilities on September 30, 2009, following the Acquisition on September 29, 2009. The Note was converted into 1,995,629 shares of Iridium Communications Inc.'s common stock on October 24, 2009 and is no longer outstanding.

On February 9, 2010, Motorola filed a complaint against Iridium to seek recovery of the commitment fee (see Note 3) and the loan success fee under the Note Agreement (see Note 8) in an aggregate amount they allege is at least \$24.7 million. However, the outcome of such complaint is uncertain; therefore, an estimate of the contingency cannot be made at this time.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer, who is our principal executive officer, and our chief financial officer, who is our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as of the end of the period covered by this report. In evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on this evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Such internal control includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Management excluded from its assessment all internal controls over financial reporting maintained by Iridium Holdings LLC, a wholly-owned subsidiary that we acquired on September 29, 2009. In accordance with guidance issued by the SEC, we excluded Iridium Holdings LLC from our assessment of internal control over financial reporting as of December 31, 2009 as we continue to integrate the acquired operations. At December 31, 2009, Iridium Holdings LLC accounted for all of the Company's revenue and a substantial portion of its total and net assets.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, our management used the criteria set forth in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, our management has determined that, as of December 31, 2009, our internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP has issued an attestation report on our internal control over financial reporting as of December 31, 2009. This report is included in the Report of Independent Registered Public Accounting Firm herein.

Changes in Internal Control Over Financial Reporting

Management has identified several changes in our internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), that occurred during the fourth quarter of 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, including changes related to our controls over significant transactions and accounting for stock-based compensation. The identified changed controls were included in management's assessment and evaluation of internal control over financial reporting as of December 31, 2009.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Iridium Communications Inc.

We have audited Iridium Communications Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Iridium Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Iridium Holdings LLC, a wholly-owned subsidiary that was acquired on September 29, 2009, which is included in the 2009 consolidated financial statements of Iridium Communications Inc. and constituted a substantial portion of the Company's total and net assets as of December 31, 2009 and 100% of its revenues for the year then ended. Our audit of internal control over financial reporting of Iridium Communications Inc. also did not include an evaluation of the internal control over financial reporting of Iridium Holdings LLC.

In our opinion, Iridium Communications Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Iridium Communications Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for the years then ended and our report dated March 16, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia
March 16, 2010

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None.

PART III**Item 10. Directors, Executive Officers and Corporate Governance****EXECUTIVE OFFICERS AND DIRECTORS**

Our executive officers and directors, and their ages as of February 25, 2010, are as follows:

Name	Age	Position
Matthew J. Desch	52	Director and Chief Executive Officer
Eric H. Morrison	44	Chief Financial Officer
John S. Brunette	50	Chief Legal and Administrative Officer
Lt. Gen. John H. Campbell (Ret.)	62	Executive Vice President, Government Programs, Iridium Satellite
Cynthia C. Cann	42	Vice President and Controller, Iridium Satellite
Lee F. Demity	56	Executive Vice President, Iridium NEXT, Iridium Satellite
Gregory C. Ewert	48	Executive Vice President, Sales, Global Distribution Channels, Iridium Satellite
John M. Roddy	55	Executive Vice President, Global Operations and Product Development, Iridium Satellite
Donald L. Thoma	48	Executive Vice President, Marketing, Iridium Satellite
Robert H. Niehaus	54	Director and Chairman
J. Darrel Barros	49	Director
Scott L. Bok	50	Director
Thomas C. Canfield	54	Director
Brigadier Gen. Peter M. Dawkins (Ret.)	71	Director
Terry L. Jones	63	Director
Alvin B. Krongard	73	Director
Steven B. Pfeiffer	63	Director
Parker W. Rush	50	Director

Executive Officers

Matthew J. Desch. Mr. Desch has been our Chief Executive Officer and a member of our Board of Directors since the Acquisition in September 2009. Mr. Desch previously served as Chief Executive Officer of Iridium Holdings from August 2006 to September 2009. Before that, he was Chief Executive Officer of Telcordia Technologies, Inc., or Telcordia, a telecom software services provider, from 2002 to November 2005. Prior to Telcordia, he spent 13 years at Nortel Networks Corporation, or Nortel, as president for its wireless networks business where he was responsible for its global carrier customers in Europe, the Middle East, Asia and Latin America. He left Nortel in March 2000. Mr. Desch served on the board of directors of Starent Networks, Corp. from 2005 until late 2009, served on the board of directors of Airspan Networks, Inc. from 2000 to 2009 and served on the board of directors of SAIC, Inc. from 2002 to 2005. He has a Bachelor of Science in computer science from The Ohio State University and a Master of Business Administration from the University of Chicago. Our Board of Directors has concluded that Mr. Desch should serve on the Board based on his deep knowledge of our company gained from his position as our Chief Executive Officer and previously as the Chief Executive Officer of Iridium Holdings, as well as his extensive experience in the telecommunications industry.

Eric H. Morrison. Mr. Morrison has served as our Chief Financial Officer since the Acquisition in September 2009. Mr. Morrison previously served as Chief Financial Officer of Iridium Holdings from April 2006 to September 2009. Prior to becoming Chief Financial Officer of Iridium Holdings, Mr. Morrison served as Vice President, Finance and Treasurer of Iridium Satellite from 2004 to April 2006. He graduated with a Master of Business Administration and a Master of Accountancy from the University of Illinois at Champaign-Urbana. He graduated from Southern Illinois University with a Bachelor's degree in finance and he is also a Certified Public Accountant.

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John S. Brunette. Mr. Brunette has been our Chief Legal and Administrative Officer since the Acquisition in September 2009. Mr. Brunette previously served as Chief Legal and Administrative Officer of Iridium Holdings from December 2007 to

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September 2009. Prior to joining Iridium Holdings, Mr. Brunette served as a consultant to technology start up companies from March 2005 to November 2007. Mr. Brunette was previously with Teleglobe Inc., or Teleglobe, a global voice and data services provider, where he served from 1998 to 2002 as Executive Vice President, Chief Legal and Administrative Officer, and from 2002 to March 2005 as Chief Executive Officer. In 2002, Teleglobe filed for bankruptcy. Mr. Brunette was also at MCI Communications Corporation, or MCI, for twelve years where he led the company's corporate legal group. He began his career with the Satellite Business Systems division of IBM Corporation until MCI acquired it in 1986. He holds both a Bachelor of Arts and a Juris Doctorate from The Catholic University of America.

Lt. Gen. John H. Campbell (Ret.). General Campbell, U.S. Air Force (Retired), has served as Executive Vice President Government Programs of Iridium Satellite since November 2006. Prior to that, from 2004 to November 2006, he served as Principal, Defense and Intelligence, for Applied Research Associates, Inc., or ARA. General Campbell joined ARA after retiring from the United States Air Force after a 32-year career. In the United States Air Force, General Campbell served in a variety of operational and staff assignments around the world. From 1998 to 2000, he was Vice Director of the Defense Information Systems Agency and as the first commander of the Joint Task Force - Computer Network Defense. From 1997 to 1998, he served on the Joint Staff of the Pentagon as Deputy Director for Operations. Between 1971 and 1997, General Campbell served around the world in a variety of operational assignments as an F-15 and F-16 fighter pilot and Wing Commander. General Campbell is the recipient of numerous military and intelligence community awards, including the Defense Distinguished Service Medal, the Legion of Merit, the Air Medal, the National Imagery and Mapping Agency Award, the National Reconnaissance Distinguished Medal, and the National Security Agency Award. He is a graduate of the University of Kentucky with a degree in Computer Science and a Masters of Business Administration.

Cynthia C. Cann. Ms. Cann has served as Vice President and Controller of Iridium Satellite since January 2009. Prior to that, Ms. Cann served in BearingPoint, Inc.'s State and Local Business Unit as Controller from May 2005 to December 2007 and as Head of Operations from January 2008 to January 2009. From January 2005 to May 2005, Ms. Cann served as a consultant for KPMG LLP. Ms. Cann graduated with a Bachelor of Science degree in Accounting from the Virginia Polytechnic Institute and State University, and received a six month certification from the Georgetown University International Master of Business Administration Program. She is also a Certified Public Accountant.

Lee F. Demitry. Mr. Demitry has served as the Executive Vice President, Iridium NEXT of Iridium Satellite since December 2007. Prior to joining Iridium Satellite, Mr. Demitry was the Vice President of Engineering at GeoEye, Inc. from 1998 to December 2007. He holds a Masters of Science in Astronautical Engineering from the Massachusetts Institute of Technology and a Master's degree and Masters of Business Administration from Golden Gate University. Mr. Demitry served in the United States Air Force until he retired as a Colonel (select).

Gregory C. Ewert. Mr. Ewert has served as the Executive Vice President Sales, Global Distribution Channels of Iridium Satellite since 2004. Prior to joining Iridium Satellite, he served as Executive Vice President for Marketing, Sales, Product Development, Business Development and Customer Service for COMSAT International, Inc. from 2002 to 2004. Prior to COMSAT, he held executive positions within Teleglobe Inc., ranging from Senior Vice President of Global Data Services to Vice President and General Manager of Carrier and Emerging Markets from 1998 to 2002. In 2002, Teleglobe filed for bankruptcy. Before Teleglobe, he worked for Sprint Nextel Corporation from 1987 to 1997, where he held various positions including President of Sprint International of Canada. He holds a Bachelor's degree in Finance from Canisius College, Buffalo, New York.

John M. Roddy. Mr. Roddy has served as Executive Vice President Global Operations and Product Development of Iridium Satellite since August 2007 and he served as a consultant from October 2006 until he joined as an employee. Prior to joining Iridium Satellite, Mr. Roddy held numerous executive positions at Telcordia from 2003 to July 2006, including President, Telcordia Global Services; Senior Vice President, Global Operations; and Chief Information Officer. Prior to joining Telcordia, at Nortel, he was Vice President and General Manager of the Carrier Professional Services Business Unit serving the CLEC and new market entrants from 1999 to 2001. Prior to that, he was Vice President, Technology and Director, Ottawa Laboratories for Public Carrier Networks from 1997 to 1998. He also held the position of Vice President, Canadian Technical Services and Global Product Support from 1993 to 1996. He holds a Master of Business Administration from McMaster University, Hamilton, Canada.

Donald L. Thoma. Mr. Thoma has served as the Executive Vice President Marketing of Iridium Satellite LLC since May 2008. Prior to that time, Mr. Thoma served as Executive Vice President of Corporate Development from November 2006 to May 2008, as Executive Vice President of Vertical Markets from September 2004 to November 2006 and as Executive Vice President of Data Services from June 2001 to September 2004. From 2001 to 2002, he served as Vice President of Marketing and Business Development for ObjectVideo, Inc. Prior to that, from 1992 to 2000, he held various positions of responsibility for ORBCOMM ranging from Senior Director of Transportation to Founder and General Manager of the Vantage Tracking Solutions business unit and Vice President, Business Development. From 1988 to 1990, he was the director of integration and launch operations for Orbital Sciences Corporation. Previously, he served as a Captain in the United States Air Force Space Division from 1983 to 1988. He holds a Bachelor's degree in Aeronautical Engineering from the Rensselaer Polytechnic Institute, a Master's degree in Aerospace Engineering from the University of Southern California and a Masters of Business Administration from the Harvard Business School.

Table of Contents**Non-Employee Directors**

Robert H. Niehaus. Mr. Niehaus has served as a member of our Board of Directors since our inception and has served as our Chairman since September 2009. Mr. Niehaus served as our Senior Vice President from inception until the Acquisition and also served as our Chief Executive Officer for a brief period in September 2009. He has been the Chairman of Greenhill Capital Partners since June 2000. Mr. Niehaus joined Greenhill & Co., Inc., or Greenhill, in January 2000 as a managing director and served in such capacity through December 2009. Prior to joining Greenhill, Mr. Niehaus spent 17 years at Morgan Stanley & Co., where he was a managing director in the merchant banking department from 1990 to 1999. Mr. Niehaus was vice chairman and a director of the Morgan Stanley Leveraged Equity Fund II, L.P., a private equity investment fund, from 1992 to 1999, and was Vice Chairman and a director of Morgan Stanley Capital Partners III, L.P., a private equity investment fund, from 1994 to 1999. Mr. Niehaus was also the Chief Operating Officer of Morgan Stanley's merchant banking department from 1996 to 1998. Mr. Niehaus currently serves as a director of Heartland Payment Systems, Inc. and previously served as a director of the following publicly held companies: American Italian Pasta Company from 1992 to January 2008, Crusader Energy Group Inc. from July 2008 to July 2009, EXCO Resources Inc. from November 2004 to June 2009, Global Signal, Inc. from October 2002 until its merger with Crown Castle International Corp. in January 2007, and Crown Castle International Corp. from January 2007 to July 2007. Mr. Niehaus is a graduate of Princeton University and the Harvard Business School. Our Board of Directors has concluded that Mr. Niehaus should serve on the Board and on the Compensation Committee based on his extensive corporate management experience, his financial expertise and his experience in working with telecommunications companies.

J. Darrel Barros. Mr. Barros has served on our Board of Directors since the Acquisition in September 2009. Mr. Barros has served as the President of Syndicated Communications, Inc., or SCI, a private equity fund focused on media and communications, since 2006. Mr. Barros has served as President of VGC, PC, a Washington, DC based law firm specializing in private equity and early-stage investments since 2003. Mr. Barros also served as a corporate and securities attorney in the venture capital practice group of DLA Piper US LLP from 1997 to 2003. He is currently Executive Chairman of Haven Media Group, LLC, a music-media company, and Chairman of Prestige Resort Properties, Inc., a resort and hospitality company. Mr. Barros received a B.S. degree from Tufts University, a Master in Business Administration from the Amos Tuck School of Business in Dartmouth College, and a Juris Doctorate degree from the University of Michigan. Our Board of Directors has concluded that Mr. Barros should serve on the Board and on the Audit Committee based on his extensive experience in working with technology companies and his financial management experience.

Scott L. Bok. Mr. Bok has served on our Board of Directors since our inception. He also served as our Chairman and Chief Executive Officer from our formation in November 2007 until September 2009. Separately, Mr. Bok has served as Co-Chief Executive Officer of Greenhill since October 2007, served as its U.S. President between January 2004 and October 2007 and has been a member of its Management Committee since its formation in January 2004. In addition, Mr. Bok has been a director of Greenhill since its incorporation in March 2004. Mr. Bok has also served as a Senior Member of Greenhill Capital Partners, the merchant banking business of Greenhill, since its formation. Mr. Bok joined Greenhill as a managing director in February 1997. Before joining Greenhill, Mr. Bok was a managing director in the mergers, acquisitions and restructuring department of Morgan Stanley & Co. Inc. where he worked from 1986 to 1997. From 1984 to 1986, Mr. Bok practiced mergers and acquisitions and securities law in New York with Wachtell, Lipton, Rosen & Katz. Mr. Bok is a member of the board of directors of various private companies and was previously a member of the board of Heartland Payment Systems, Inc., from 2001 to 2008. Mr. Bok is a graduate of the University of Pennsylvania's Wharton School. He holds a Juris Doctorate from the University of Pennsylvania Law School. Our Board of Directors has concluded that Mr. Bok should serve on the Board and on the Nominating and Corporate Governance Committee based on his extensive corporate management experience and his financial expertise.

Thomas C. Canfield. Mr. Canfield has served on our Board of Directors since our inception. Mr. Canfield has served as Senior Vice President and General Counsel of Spirit Airlines, Inc. since October 2007. Before that, Mr. Canfield was General Counsel of Point Blank Solutions, Inc. from October 2006 to October 2007 and was Chief Executive Officer and Plan Administrator for AT&T Latin America Corp. from February 2004 to July 2007. Prior to assuming those roles, Mr. Canfield was General Counsel and Secretary of AT&T Latin America Corp. following its acquisition by FirstCom Corporation, or FirstCom, from August 2000 to February 2004. AT&T Latin America Corp. filed for bankruptcy in April 2003. Mr. Canfield became General Counsel of FirstCom in May 2000. Prior to joining FirstCom, Mr. Canfield was Counsel in the New York office of Debevoise & Plimpton LLP. Mr. Canfield serves on the board of directors of Tricom S.A. Our Board of Directors has concluded that Mr. Canfield should serve on the Board and on the Audit Committee based on his management experience in the telecommunications industry and his particular familiarity with serving on the boards of technology companies.

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Brigadier Gen. Peter M. Dawkins (Ret.). Brigadier General Dawkins, U.S. Army (Retired), has served on our Board of Directors since October 2009. Gen. Dawkins has been a Senior Partner at Flintlock Capital Asset Management LLC since July 2009. He is also founder and principal of ShiningStar Capital LLC, or ShiningStar, which he founded in May 2008. Prior to founding ShiningStar, Gen. Dawkins was Vice Chairman of Global Wealth Management for Citigroup Inc., or Citigroup, from August 2007 to May 2008, Vice Chairman of the Citigroup Private Bank from 2000 to August 2007, and Executive Vice President and Vice Chairman of The Travelers Companies, Inc. during an eleven-year tenure with the firm. Previously, from 1991 to 1996, he served as Chairman and Chief Executive Officer of Primerica Financial Services, Inc., and earlier served as head of the U.S. consulting practice of Bain & Company Inc. Gen. Dawkins began his career in the private sector as head of the Public Financing Banking division of Lehman Brothers Holdings Inc. A 1959 graduate of West Point, Dawkins served in the U.S. Army for 24 years. He was promoted to Brigadier General in 1981. Gen. Dawkins holds a Ph.D. and Master's degree from the Woodrow Wilson School at Princeton University. He was selected as a Rhodes Scholar and studied at Oxford University from 1959 through 1962. Our Board of Directors has concluded that Gen. Dawkins should serve on the Board based on his extensive corporate management experience, his military experience and his financial expertise.

Terry L. Jones. Mr. Jones has served on our Board of Directors since the Acquisition in September 2009 and served on the board of directors of Iridium Holdings from 2001 to September 2009. Mr. Jones is the Managing Member of the General Partner of Syndicated Communications Venture Partners IV, L.P. and the Managing Member of Syncom Venture Management Co., LLC. Prior to joining Syncom in 1978, he was co-founding stockholder and Vice President of Kiambere Savings and Loan in Nairobi, and a lecturer at the University of Nairobi. He also worked as a Senior Electrical Engineer for the Westinghouse Electric Corporation, Aerospace Division, and Litton Industries Corp. He is a member of the board of directors of Radio One, Inc. and PKS Communications, Inc. He formerly served on the board of the Southern African Enterprise Development Fund, and is on the Board of Trustees of Spellman College. Mr. Jones received a B.S. degree in Electrical Engineering from Trinity College, an M.S. degree in Electrical Engineering from George Washington University and a Masters of Business Administration from Harvard University. Our Board of Directors has concluded that Mr. Jones should serve on the Board and on the Compensation and Nominating and Corporate Governance Committees based on his extensive corporate management experience and, as a long-term member of the board of Iridium Holdings, his deep knowledge of our company.

Alvin B. Krongard. Mr. Krongard has served as a member of our Board of Directors since the Acquisition in September 2009 and served as a member of the board of directors of Iridium Holdings from 2006 to September 2009. Since 2004, Mr. Krongard has been pursuing personal interests. In 1991, Mr. Krongard was elected Chief Executive Officer of Alex. Brown Incorporated, or Alex. Brown, an investment banking firm, and in 1994, he became Chairman of the board of directors of Alex. Brown. Mr. Krongard also served as Vice Chairman of the board of directors of Bankers Trust Company N.A. from 1997 to 1998, in addition to holding other financial industry posts. He served as Counselor to the Director of the U.S. Central Intelligence Agency from 1998 to 2001, and then as Executive Director of the CIA from 2001 to 2004. Mr. Krongard served on the board of directors of PHH Corporation from January 2005 to June 2009. He serves on the board of directors of Under Armour, Inc., and as Vice Chairman of The Johns Hopkins Health System Corporation. Mr. Krongard received a B.A. degree with honors from Princeton University and a Juris Doctorate degree from the University of Maryland School of Law. Our Board of Directors has concluded that Mr. Krongard should serve on the Board and on the Compensation and Nominating and Corporate Governance Committees based on his extensive corporate management experience, his experience leading an agency of the U.S. government and, as a member of the board of Iridium Holdings, his deep knowledge of our company.

Steven B. Pfeiffer. Mr. Pfeiffer has served on our Board of Directors since the Acquisition in September 2009 and served on the board of directors of Iridium Holdings from 2001 to September 2009. Mr. Pfeiffer has been a partner in the law firm of Fulbright & Jaworski LLP since 1983 and has served as the elected Chair of the firm's Executive Committee since 2003. He previously served as the Partner-In-Charge of the Washington, DC and London offices, and headed the firm's International Department. Mr. Pfeiffer is also a Non-Executive Director of Barloworld Limited in South Africa, Chairman Emeritus of Wesleyan University, a trustee of The Africa-America Institute in New York, a Director of Project HOPE in Washington, D.C., and a Director of the NAACP Legal Defense and Educational Fund, Inc. Mr. Pfeiffer received a B.A. degree from Wesleyan University in Middletown, Connecticut and studied at Oxford University as a Rhodes Scholar, completing a B.A. and a M.A. in jurisprudence. He also holds a M.A. in Area Studies (Africa) from the School of Oriental and African Studies of the University of London and holds a Juris Doctorate from Yale University. Mr. Pfeiffer served as an officer on active and reserve duty in the U.S. Navy. Our Board of Directors has concluded that Mr. Pfeiffer should serve on the Board and on the Compensation Committee based on his extensive corporate management experience, his experience in working with technology companies, and, as a long-term member of the board of Iridium Holdings, his deep knowledge of our company.

Parker W. Rush. Mr. Rush has served on our Board of Directors since our inception. Mr. Rush has served as the President and Chief Executive Officer and as a member of the Board of Directors of Republic Companies, Inc., or Republic, a provider

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of property and casualty insurance, since December 2003. Prior to his employment with Republic, Mr. Rush served as a Senior Vice President and Managing Director at The Chubb Corporation and in various other capacities since February 1980. Our Board of Directors has concluded that Mr. Rush should serve on the Board and on the Audit Committee based on his extensive corporate management experience and his financial expertise, including his qualification as an audit committee financial expert under SEC guidelines.

BOARD LEADERSHIP STRUCTURE

Our Board of Directors has an independent Chairman, Mr. Niehaus, who has authority, among other things, to call and preside over Board meetings, including meetings of the independent directors, to set meeting agendas and to determine materials to be distributed to the Board. Accordingly, the Chairman has substantial ability to shape the work of the Board. We believe that separation of the positions of Chairman and Chief Executive Officer reinforces the independence of the Board in its oversight of our business and affairs. In addition, we believe that having an independent Chairman creates an environment that is more conducive to objective evaluation and oversight of management's performance, increasing management accountability and improving the ability of the Board to monitor whether management's actions are in the best interests of us and our stockholders. As a result, we believe that having an independent Chairman can enhance the effectiveness of the Board as a whole.

ROLE OF THE BOARD IN RISK OVERSIGHT

One of the Board's key functions is informed oversight of our risk management process. The Board does not have a standing risk management committee, but rather administers this oversight function directly through the Board as a whole, as well as through various Board standing committees that address risks inherent in their respective areas of oversight. In particular, while our Board is responsible for monitoring and assessing strategic risk exposure, our Audit Committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. Our Audit Committee also monitors compliance with legal and regulatory requirements. Our Nominating and Corporate Governance Committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our Compensation Committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking. It is the responsibility of the committee chairs to report findings regarding material risk exposures to the Board. The Chairman has the responsibility of coordinating between the Board and management with regard to the determination and implementation of responses to any problematic risk management issues.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met eight times during 2009. Each Board member attended 75% or more of the aggregate number of meetings of the Board and of the committees on which he served that were held during the portion of the year for which he was a director or committee member.

INFORMATION REGARDING COMMITTEES OF THE BOARD OF DIRECTORS

Since the Acquisition, our Board has had three committees: an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Prior to the Acquisition, our Board had an Audit Committee and a Nominating and Corporate Governance Committee. The following tables provide pre- and post-Acquisition membership and meeting information for 2009 for each of the Board committees:

Pre-Acquisition:

Name	Audit	Nominating and Corporate Governance
Thomas C. Canfield	X	X*
Kevin P. Clarke	X	X
Parker W. Rush	X*	X
Total pre-Acquisition meetings in 2009	5	

Table of Contents**Post-Acquisition:**

Name	Audit	Compensation	Nominating and Corporate Governance
Robert H. Niehaus		X	
J. Darrel Barros	X		
Scott L. Bok			X*
Thomas C. Canfield	X		
Terry L. Jones		X	X
Alvin B. Krongard		X	X
Steven B. Pfeiffer		X*	
Parker W. Rush	X*		
Total post-Acquisition meetings in 2009	2	1	

* Committee Chairperson

Below is a description of each committee of our Board of Directors. The Board of Directors has determined that, except as specifically described below, each member of each committee is independent within the meaning of the NASDAQ listing standards and that each member is free of any relationship that would impair his individual exercise of independent judgment with regard to us.

AUDIT COMMITTEE

The Audit Committee of our Board of Directors was established by the Board to oversee our corporate accounting and financial reporting processes and audits of its financial statements. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent registered public accounting firm; determines and approves the engagement of the independent registered public accounting firm; determines whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage new a independent registered public accounting firm; reviews and approves the retention of the independent registered public accounting firm to perform any proposed permissible non-audit services; monitors the rotation of partners of the independent registered public accounting firm on our audit engagement team as required by law; reviews and approves or rejects transactions between us and any related persons; confers with management and the independent registered public accounting firm regarding the effectiveness of internal controls over financial reporting; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and meets to review our annual audited financial statements and quarterly financial statements with management and the independent registered public accounting firm. Prior to the Acquisition, the Audit Committee was composed of Mr. Canfield, former director Kevin P. Clarke and Mr. Rush. Since the Acquisition, the Audit Committee has been composed of Messrs. Rush (Chairman), Barros and Canfield. In 2009, the Audit Committee met five times prior to the Acquisition and met twice after the Acquisition. The Audit Committee has adopted a written charter that is available to stockholders on our website at <http://investor.iridium.com/governance.cfm>.

At least annually, the Board of Directors reviews the NASDAQ listing standards definition of independence for Audit Committee members and has determined that all members of our Audit Committee are independent. The Board of Directors has also determined that Mr. Rush qualifies as an audit committee financial expert, as defined in applicable SEC rules.

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Report of the Audit Committee of the Board of Directors

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2009 with management of Iridium Communications Inc. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board, or PCAOB, in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in this Annual Report on Form 10-K for the year ended December 31, 2009.

Respectfully submitted,

AUDIT COMMITTEE

Parker W. Rush, Chairman
J. Darrel Barros

Thomas C. Canfield

COMPENSATION COMMITTEE

Prior to the Acquisition, our Board of Directors did not believe a compensation committee was necessary because none of our executive officers or directors received compensation. Our Compensation Committee was formed in connection with the Acquisition and since then has been composed of Messrs. Pfeiffer (Chairman), Jones, Krongard and Niehaus. All members of our Compensation Committee are independent within the meaning of the NASDAQ listing standards. In 2009, the Compensation Committee met once after the Acquisition. The Compensation Committee has adopted a written charter that is available to stockholders on our website at <http://investor.iridium.com/governance.cfm>.

The Compensation Committee acts on behalf of the Board to review, approve, modify (as necessary) and oversee our compensation strategy, policies, plans and programs, including:

establishment of corporate and individual performance objectives relevant to the compensation of our executive officers and other senior management and evaluation of performance in light of these stated objectives;

review, approval and modification (as necessary) of the compensation and other terms of employment or service, including severance and change in control arrangements, of our Chief Executive Officer and the other executive officers and directors; and

oversight of our equity compensation plans, and other similar plan and programs.

Our Compensation Committee reviews with management our Compensation Discussion and Analysis and considers whether to approve its inclusion in proxy statements and other filings.

Typically, the Compensation Committee meets quarterly and with greater frequency if necessary. The agenda for each meeting is usually developed by the Chairman of the Compensation Committee. The Compensation Committee meets regularly in executive session. However, from time to time, various members of management and other employees as well as outside advisors or consultants may be invited by the Compensation Committee to make presentations, to provide financial or other background information or advice or to otherwise participate in Compensation Committee meetings. The Chief Executive Officer may not participate in, or be present during, any deliberations or determinations of the Compensation Committee regarding his compensation or individual performance objectives. The charter of the Compensation Committee grants the Compensation Committee full access to all of our books, records, facilities and personnel, as well as authority to obtain, at our expense, advice and assistance from internal and external legal, accounting or other advisors and consultants and other external resources that the Compensation Committee considers necessary or appropriate in the performance of its duties. In particular, the Compensation Committee has the sole authority to retain compensation consultants to assist in its evaluation of executive and director

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compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

During 2009, following the Acquisition, our Compensation Committee engaged a compensation consultant, Frederic W. Cook & Co., Inc., to perform an update to a report the consultant had previously delivered to the compensation committee of Iridium Holdings. The results of this updated report are described in more detail in Executive Compensation Compensation Discussion and Analysis Use of Compensation Consultant.

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NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as our directors, consistent with criteria approved by the Board, reviewing and evaluating incumbent directors, recommending to the Board for selection candidates for election to the Board of Directors, making recommendations to the Board regarding the membership of the committees of the Board, assessing the performance of the Board, and developing a set of corporate governance principles for us. Prior to the Acquisition, our Nominating and Corporate Governance Committee was composed of Messrs. Canfield, Clarke and Rush. Since the Acquisition, the Nominating and Corporate Governance Committee has been composed of Messrs. Bok (Chairman), Jones and Krongard. All members of the Nominating and Corporate Governance Committee are independent within the meaning of the NASDAQ listing standards. During 2009, the Nominating and Corporate Governance Committee did not meet prior to or subsequent to the Acquisition. The Nominating and Corporate Governance Committee has adopted a written charter that is available to stockholders on our website at <http://investor.iridium.com/governance.cfm>.

The Nominating and Corporate Governance Committee believes that candidates for director should have minimum qualifications, including having the ability to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Nominating and Corporate Governance Committee also intends to consider other factors, such as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to our affairs, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of our stockholders. However, the Nominating and Corporate Governance Committee can modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, our operating requirements and the long-term interests of stockholders. In conducting this assessment, the Nominating and Corporate Governance Committee typically considers diversity, age, skills and such other factors as it deems appropriate given our current needs and those of the Board to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Nominating and Corporate Governance Committee reviews these directors' overall service to us during their terms, including the number of meetings attended, level of participation, quality of performance and any other relationships and transactions that might impair the directors' independence. In the case of new director candidates, the Nominating and Corporate Governance Committee also determines whether the nominee is independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Nominating and Corporate Governance Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The Nominating and Corporate Governance Committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Nominating and Corporate Governance Committee meets to discuss and consider the candidates' qualifications and then recommends candidates to the Board for selection.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. The Nominating and Corporate Governance Committee does not intend to alter the manner in which it evaluates candidates, including the minimum criteria set forth above, based on whether or not the candidate was recommended by a stockholder. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee at the following address: c/o Iridium Communications Inc., 6707 Democracy Blvd., Suite 300, Bethesda, MD 20817, Attn: Secretary not less than 90 days but not more than 120 days prior to the anniversary date of the last annual meeting of stockholders. Submissions must include the name and address of the stockholder making the representation, the number of shares of our common stock beneficially owned by such stockholder as of the date of the submission, the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information for the nominee and a description of the proposed nominee's qualifications as a director. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Our Board has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board or an individual director may send a written communication to the Board or such director addressed to our Secretary at 6707 Democracy Blvd, Suite 300, Bethesda, MD 20817. Each communication must set forth:

the name and address of the stockholder on whose behalf the communication is sent; and

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the number of our shares that are owned beneficially by such stockholder as of the date of the communication. Each communication will be reviewed by our Secretary to determine whether it is appropriate for presentation to the Board or such director. Examples of inappropriate communications include advertisements, solicitations or hostile communications. Communications determined by our Secretary to be appropriate for presentation to the Board or such director will be submitted to the Board or such director on a periodic basis.

CODE OF ETHICS

We have adopted the Iridium Communications Inc. Code of Business Conduct and Ethics, or the Code, that applies to all of our officers, directors and employees as well as those of our subsidiaries. The Code is available on our website at <http://investor.iridium.com/governance.cfm>. If we make any substantive amendments to the Code or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our website.

CORPORATE GOVERNANCE GUIDELINES

The Board of Directors has documented our governance practices by adopting Corporate Governance Guidelines, or the Guidelines, to assure that the Board will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The Guidelines are also intended to align the interests of directors and management with those of our stockholders. The Guidelines set forth, among other things, the practices the Board intends to follow with respect to Board composition and selection, Board meetings and involvement of senior management, Chief Executive Officer performance evaluation and succession planning, and Board committees and compensation. The Guidelines may be viewed at <http://investor.iridium.com/governance.cfm>.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during 2009, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were timely complied with; except that one report, covering one transaction, was filed 5 days late by Baralonco Limited.

Item 11. Executive Compensation

COMPENSATION DISCUSSION AND ANALYSIS

Background

Prior to the Acquisition in September 2009, none of our officers received any compensation for service rendered to us. Accordingly, this discussion and analysis relates to the compensation of executive officers of Iridium Holdings who became our executive officers following the Acquisition. These executive officers included Matthew J. Desch, Eric H. Morrison, John S. Brunette, Gregory C. Ewert and John M. Roddy, who are named in the Summary Compensation Table below. We refer to the executive officers named in the Summary Compensation Table as our named executive officers.

The compensation of these executives for the portion of 2009 prior to the Acquisition was determined by Iridium Holdings. Following the Acquisition, we have retained and continued the 2009 compensation structure, components and levels previously established by Iridium Holdings. Prior to the Acquisition, Iridium Holdings was a privately held company and accordingly was not as formal in its compensation practices and policies as many publicly traded companies.

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Immediately following the Acquisition, our Board of Directors established a Compensation Committee consisting of Steven B. Pfeiffer, Terry L. Jones, Alvin B. Krongard and Robert H. Niehaus. Messrs. Pfeiffer, Jones and Krongard had also been the members of the compensation committee of Iridium Holdings prior to the Acquisition.

Objectives of Our Compensation Program

Our executive compensation program is designed to achieve the following three primary objectives:

to provide a competitive compensation package to attract and retain talented individuals to manage and operate all aspects of our business;

to reward the achievement of corporate and individual objectives that promote the growth and profitability of our business; and

to align the interests of executive officers with those of our stockholders by providing long-term equity-based compensation. To meet these objectives, our executive compensation package consists of a mix of base salary, performance-based annual cash incentive bonuses, standard employee benefits and long-term incentives in the form of equity-based awards. We believe that performance-based compensation is an important component of the total executive compensation package for attracting, motivating and retaining high quality executives. Accordingly, a significant portion of the compensation for the named executive officers is in the form of cash compensation that is subject to the achievement of annual performance goals and equity-based compensation that enables them to share in the growth of our company. We do not have formal or informal policies or guidelines for allocating compensation between long-term and currently paid-out compensation, between cash and non-cash compensation, or among different forms of cash compensation or non-cash compensation.

Role of the Chief Executive Officer

Prior to the Acquisition, the chief executive officer of Iridium Holdings, in consultation with the Iridium Holdings compensation committee and its executive compensation consultant, played a significant role in the development of its compensation program. All compensation decisions at Iridium Holdings were recommended by its chief executive officer for the review and approval of the Iridium Holdings compensation committee, with the exception of the compensation of the chief executive officer himself, which was determined by the committee with input from the chief executive officer.

Use of Compensation Consultant

In late 2007, the Iridium Holdings compensation committee engaged a compensation consultant to review its executive compensation structure in anticipation of becoming a publicly traded company. The compensation consultant delivered reports to the committee during the first quarter of 2008 comparing the base salary, bonus, equity compensation, long-term incentives and perquisites paid or provided to Iridium Holdings executive officers to the compensation and benefits provided to the executive officers of a number of publicly traded communications and technology companies regarded as comparable to Iridium Holdings. Based on these reports, the Iridium Holdings compensation committee significantly increased the base salaries and target bonus amounts of the named executive officers in 2008 to bring them more in line with those paid by comparable public companies. The Iridium Holdings compensation committee did not use a compensation consultant in connection with 2009 executive compensation, but, in light of the increases in 2008 and prevailing market conditions, the Iridium Holdings compensation committee determined not to further increase salaries or bonus targets for 2009.

After the closing of the Acquisition, our Compensation Committee requested from the compensation consultant an update of the 2008 report focusing in particular on the cash components of the compensation program. The compensation consultant delivered an updated report to the Compensation Committee in October 2009, which compared the base salary and incentive cash bonus opportunity provided to the executive officers of Iridium Holdings who had just become the executive management team of our company to the cash compensation provided to the executive officers of the following communications and technology companies:

Intelsat Corporation

PAETEC Holding Corp.

Time Warner Telecom Inc.

Hughes Communications, Inc.

Inmarsat Finance plc

Loral Space & Communications Inc.

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ViaSat, Inc.

Premiere Global Services Inc.

Broadview Networks Holdings, Inc.

NeuStar Inc.

EMS Technologies, Inc.

J2 Global Communications Inc.

Geoeye Inc.

Globecomm Systems Inc.

Globalstar, Inc.

SkyTerra Communications, Inc.

ORBCOMM Inc.

This list of companies was developed by the compensation consultant and approved by our Compensation Committee. The companies were chosen because they were public companies in the same industry as our company or in related industries and because they were generally comparable with our company in terms of their levels of revenue, EBITDA, net income, assets, market capitalization and number of employees. This list was similar to the list of companies included in the 2008 report, but deleted two of the companies in the earlier report and added seven new companies.

This report concluded that (1) the salary levels for our executive officers were at or somewhat above the median of those at the comparable companies, (2) their target annual bonuses fell between the median and the 75th percentile of those at the comparable companies and (3) their target overall annual cash compensation levels fell between the median and the 75th percentile of those at the comparable companies. Based on the conclusions in this updated report, our Compensation Committee determined not to change the 2009 salary and bonus amounts previously established by Iridium Holdings.

Elements of Executive Compensation

The compensation received by the named executive officers in 2009 consisted of the following elements:

Base Salary

Base salaries for our executive officers are generally based on the scope of their responsibilities, historical performance and individual experience. We also aim to set base salaries at levels generally comparable with those of executives in similar positions and with similar responsibilities at comparable companies as necessary to attract, retain and motivate executives. Base salaries are reviewed annually, and may be further adjusted from time to time.

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As discussed above, the Iridium Holdings compensation committee significantly increased executive salaries in 2008 and, in view of those increases, determined to hold salary levels unchanged for 2009. Following the Acquisition, our Compensation Committee did not make any changes to the 2009 base salary levels of the named executive officers in effect prior to the Acquisition.

For 2009, Mr. Desch's base salary was \$675,000, Mr. Morrison's base salary was \$325,000, Mr. Brunette's base salary was \$430,000, Mr. Ewert's base salary was \$340,000 and Mr. Roddy's base salary was \$320,000.

Annual Cash Incentive Bonus Program

We utilize cash incentive bonuses for executives to focus them on achieving key operational and financial objectives within a yearly time horizon. In general, near the beginning of each year, we determine target bonus amounts and performance parameters for our executives, which may be based on company-wide performance or individual performance, or a combination of both. Following the end of the year, we then determine the level of achievement by each executive and the appropriate bonus amount. Historically, all the target performance objectives we have used have been company-wide objectives, with a subjective personal performance factor being applied for each executive at the end of the process when the final bonus amounts are determined. We do not have a policy to attempt to recover cash bonus payments paid to our executive officers if the performance objectives that led to the determination of such payments were to be restated, or found not to have been met to the extent that we originally believed.

In 2009, Iridium Holdings maintained such a performance-based cash incentive bonus program in which all of its employees, including the named executive officers, participated. Our Compensation Committee determined following the Acquisition that it was appropriate to continue this program for the remainder of 2009.

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Target Bonuses. Under the terms of the cash incentive bonus program, each participant is assigned a target bonus amount expressed as a percentage of such employee's base salary. As discussed above, the Iridium Holdings compensation committee determined to leave 2009 target bonus amounts unchanged from the 2008 amounts. The target bonus amounts for 2009 for each named executive officer were:

Mr. Desch's target bonus was equal to 90% of his base salary;

the target bonus for each of Messrs. Morrison, Brunette and Ewert was equal to 75% of their respective base salaries; and

Mr. Roddy's target bonus was equal to 60% of his base salary.

Determination of the 2009 Bonus Pool. Each year, the individual bonus targets of each employee in the bonus program are added together to establish the annual bonus pool target for the program. The actual bonus pool for the applicable year is funded based on the level of achievement of pre-established company-wide financial performance goals and organizational imperatives. When the level of achievement of financial performance goals and organizational imperatives has been verified by our Compensation Committee following the end of the year, the achieved financial performance goals and organizational imperatives are added together to determine the total corporate target bonus factor, expressed as a percentage between 0% and the maximum potential percentage, which was 170% in 2009. This corporate target bonus factor is then multiplied by the annual bonus pool target to compute the total bonus pool.

The financial performance goals for Iridium Holdings for 2009 consisted of:

a company-wide revenue target of \$344.2 million, weighted at 20% of the annual bonus pool target, with:

achievement below 95% of the target resulting in no funding of the bonus pool;

achievement of at least 95% of the target but less than 100% resulting in funding based on a sliding scale between 0% and 20% of the bonus pool; and

achievement between 100% and 116% of the target resulting in funding based on a sliding scale between 20% and 40% of the bonus pool; and

an adjusted Operational EBITDA target of \$133.9 million, weighted at 50% of the annual bonus pool target, with:

achievement below 92% of the target resulting in no funding of the bonus pool;

achievement of at least 92% of the target but less than 100% resulting in funding based on a sliding scale between 0% and 50% of the bonus pool; and

achievement between 100% and 120% of the target resulting in funding based on a sliding scale between 50% and 100% of the bonus pool.

Operational EBITDA for Iridium Holdings was defined as earnings before interest; income taxes; depreciation and amortization; Iridium NEXT revenue and expenses; and expenses associated with the Acquisition. Our Compensation Committee, in measuring our achievement of

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Operational EBITDA following the end of 2009, determined that it would be fair and appropriate also to exclude from the calculation adjustments of approximately \$9.6 million attributable to purchase accounting as a result of the Acquisition. This decision reflected our Compensation Committee's view that these expenses would not have been incurred had Iridium Holdings remained an independent company and that including these expenses would unfairly punish the participants since the original target did not contemplate expenses of this nature.

Organizational imperatives accounted for the remaining 30% of the annual bonus pool target. The organizational imperatives for 2009 were:

core organizational imperatives, consisting of the successful completion of activities leading to a successful vote by the stockholders of our company on the Acquisition and the subsequent transition of Iridium Holdings to being a public company, weighted at 15% of the target bonus pool; and finalizing an agreement with a prime contractor for the development of Iridium NEXT, weighted at 15% of the bonus pool; and

stretch organizational imperatives, consisting of delivering beneficial tax treatment for the unitholders of Iridium Holdings, either through the closing of the Acquisition or otherwise, which would add an additional 15% to the bonus pool; and the successful closing of a secondary payload agreement, which would add an additional 15% to the bonus pool.

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The organizational imperatives were individually weighted as shown above and were to contribute between 0% of the total funding of the bonus pool if no organizational imperatives were achieved and 60% if all organizational imperatives were achieved.

The 2009 bonus pool was funded at 80% of the target bonus pool, reflecting (i) none of the 20% attributable to the company-wide revenue target, since revenues were less than 95% of that target, (ii) all of the 50% attributable to the achievement of the adjusted Operational EBITDA target, since we achieved \$133.9 million, which was 100% of the target, and (iii) all of the 30% attributable to the achievement of the organizational imperatives, since we achieved one of the core imperatives, the completion of the Acquisition, which was worth 15% of the pool, and also achieved one of the stretch imperatives, delivering beneficial tax treatment to unitholders of Iridium Holdings, which was worth an additional 15%.

Determination of Individual Bonuses for 2009. Once the actual amount of the bonus pool has been determined, our Compensation Committee determines a personal bonus factor for each executive participating in the program. This personal bonus factor can be between 0% and 150%.

For the named executive officers other than himself, Mr. Desch has the discretion to recommend to the Compensation Committee, based on his assessment of the executive's performance during the year, that it vary the personal performance factor of each executive above or below 100%. The Compensation Committee then makes its own determination whether or not to accept Mr. Desch's recommendation. In making their respective assessments, Mr. Desch and the Compensation Committee independently consider individual performance goals communicated to the executive during the year, which include factors such as the introduction of new products, the achievement of sales goals for existing products, exhibiting strong leadership skills, expanding international licenses, execution of new partnering agreements, increasing inventory efficiency and improving overall customer satisfaction. None of these goals is individually weighted and Mr. Desch may take other factors into account in recommending to the Compensation Committee the amount of bonus to award and the Compensation Committee may utilize these or other factors in determining whether or not to accept or adjust Mr. Desch's recommendation.

In the case of Mr. Desch, the Compensation Committee makes its own independent evaluation of his personal performance in determining his personal bonus factor.

Each executive's incentive bonus will then be then calculated based on his target bonus multiplied by the corporate target bonus factor multiplied by that executive's personal bonus factor. For example, if an executive had a base salary of \$200,000 and a target bonus equal 50% of his base salary, such executive's target bonus would be \$100,000. If we achieve a corporate target bonus factor of 90%, the executive's bonus should equal 90% of his target bonus, or 45% of base salary, for a total bonus of \$90,000. However, Mr. Desch might recommend or the Compensation Committee might apply a personal bonus factor other than 100% to the annual bonus the executive would have otherwise earned. In this example, if Mr. Desch recommended a personal factor of 120% for the executive, and the Compensation Committee agreed with his recommendation, the executive's annual bonus would be 120% of \$90,000, or \$108,000.

For 2009, Messrs. Desch, Morrison, Brunette, Ewert and Roddy earned cash incentive bonuses of \$486,000, \$214,500, \$258,000, \$193,800 and \$145,920, respectively. In the case of Messrs. Desch, Morrison, Brunette, Ewert and Roddy, the cash incentive bonus was calculated by multiplying such named executive officer's target bonus by 80% and then multiplying that result by a personal bonus factor of 100%, 110%, 100%, 95% and 95%, respectively.

Equity-Based Incentive Compensation

We utilize stock options and other stock-based awards to reward long-term performance. We believe that providing a meaningful portion of an executive's total compensation package in the form of equity awards helps to align the incentives of the executives with the interests of our stockholders. Our practice in general is to make these awards subject to time-based vesting, which we believe helps to retain executives and motivate them. We do not have any stock ownership guidelines or requirements for our executive officers.

Iridium Holdings was a limited liability company. Because it was not a corporation and because of its pass-through tax status, Iridium Holdings used a variety of equity and equity-like awards other than stock options to provide long-term incentives to its executives. These are discussed in the following paragraphs to the extent they were granted in 2009 or provided value to any of the named executive officers at the time of the Acquisition.

Treatment of Previously Granted Phantom Profits Interests in Iridium Holdings. In 2006, Iridium Holdings granted phantom profits interests to Messrs. Desch and Roddy in connection with their employment. The phantom profits interests provided that Messrs. Desch and Roddy would be entitled to receive cash payments as if they held a 2.5%

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and a 0.5% ownership interest in Iridium Holdings, respectively, and were therefore entitled to receive distributions from Iridium Holdings, but in each case only once such distributions exceeded a designated threshold amount. The threshold amount was intended to reflect an estimate of the value of Iridium Holdings at the time of the award and the awards were intended, among other things, to provide Messrs. Desch and Roddy an interest in the appreciation of the value of Iridium Holdings in the event of a transaction like the Acquisition.

Each of the phantom profits interests was granted subject to a time-based vesting schedule, with vesting over four years in the case of Mr. Desch and over three years in the case of Mr. Roddy, but also provided that the phantom profits interests would become fully vested upon the closing of a transaction such as the Acquisition. Pursuant to the terms of the phantom profits interests, they were cashed out in full upon the closing of the Acquisition for amounts reflecting their net value over the specified thresholds. The amount of these cash payments were \$4,483,698 in the case of Mr. Desch and \$179,518 in the case of Mr. Roddy.

Treatment of Previously Granted Employee Holdings LLC Units. In 2008, Mr. Desch, along with several other employees, was awarded units in Employee Holdings LLC, or Employee Holdings. The assets of Employee Holdings consisted entirely of Class B units in Iridium Holdings. Mr. Desch received 39,582 units of Employee Holdings, each representing one Iridium Holdings Class B unit. The units provided that Mr. Desch would be indirectly entitled to receive distributions from Iridium Holdings, but only after such distributions exceeded a designated threshold amount. The threshold amount was intended to reflect an estimate of the value of Iridium Holdings at the time of the award and the awards were intended, among other things, to provide the recipients an interest in the appreciation of the value of Iridium Holdings Class B units in the event of a transaction like the Acquisition.

The units were granted subject to a time-based vesting schedule, with 25% of the units granted to Mr. Desch being fully vested on the grant date and the remaining 75% vesting ratably over three years, with the units becoming fully vested upon the closing of a transaction such as the Acquisition. Iridium Holdings elected in connection with the Acquisition to permit Mr. Desch and the other holders of these units to make what amounted to a net exercise or settlement to realize the net value of the units. Accordingly, immediately prior to the closing of the Acquisition, the units were reduced to a lesser number of units not subject to a threshold amount based on a ratio intended to maintain the same economic benefit for the units. The reduced number of units Mr. Desch received was the indirect equivalent of 7,923 Iridium Holdings Class B units. The related Class B units were exchanged in the Acquisition for consideration of \$660,515 in cash and 151,993 shares of our common stock.

Treatment of Previously Granted Iridium Employee Holdings LLC Units. Over the last several years, Messrs. Morrison and Ewert, along with several other employees, were awarded units in Iridium Employee Holdings LLC, or Iridium Employee Holdings. Mr. Morrison was granted a total of three awards, one of 125 units in 2001, one of 125 units in 2005 and one of 750 units in 2006. Mr. Ewert was granted one award of 1,000 units in 2005. The assets of Iridium Employee Holdings consisted entirely of Class B units in Iridium Holdings. Each Iridium Employee Holdings unit represented 15.484 Iridium Holdings Class B units. The units provided that Messrs. Morrison and Ewert would be indirectly entitled to receive distributions from Iridium Holdings, but in the case of the 2005 and 2006 grants, only once such distributions exceed a designated threshold amount. The threshold amount was intended to reflect an estimate of the value of Iridium Holdings at the time of the respective award and the awards were intended, among other things, to provide the recipients an interest in the appreciation of the value of Iridium Holdings Class B units in the event of a transaction like the Acquisition.

The units were fully vested by the time of the Acquisition pursuant to their time-based vesting schedule. Iridium Holdings elected in connection with the Acquisition to permit the holders of these units, including Messrs. Morrison and Ewert, to make what amounted to a net exercise or settlement to realize the net value of the units. Accordingly, immediately prior to the closing of the Acquisition, the units were reduced to a lesser number of units not subject to a threshold amount based on a ratio that maintained the same economic benefit for all such units. The reduced number of units was the indirect equivalent of 14,608 Iridium Holdings Class B units in the case of Mr. Morrison and 14,481 Iridium Holdings Class B units in the case of Mr. Ewert. The related Class B units were exchanged in the Acquisition for consideration of \$1,217,738 in cash and 280,218 shares of our common stock in the case of Mr. Morrison and \$1,207,193 in cash and 277,791 shares of our common stock in the case of Mr. Ewert.

Stock Option Grants. Following the Acquisition, only some of our executives had any equity interest in our company, which they received in the Acquisition as partial consideration for their previous interests in Iridium Holdings. Accordingly, in order to retain our executives and employees and further align their interests with those of our stockholders, our Compensation Committee determined in November 2009 following the Acquisition that it was appropriate to make a company-wide grant of options to acquire shares of our common stock. These grants were made to all employees, including the named executive officers who

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joined our company at the time of the Acquisition. These options have an exercise price of \$8.73 per share, the closing price of our common stock on the date of grant, and vest 25% on the first anniversary of grant and the remaining 75% thereafter in 12 equal quarterly installments, except for Mr. Morrison's option, which vests 50% on the first anniversary of grant and the remaining 50% thereafter in four equal quarterly installments. The following table indicates the number of options granted to each of the named executive officers in November 2009:

Name	Number of Shares
	Underlying Options
Matthew J. Desch	400,000
Eric H. Morrison	67,500
John S. Brunette	135,000
Gregory C. Ewert	135,000
John M. Roddy	135,000
Scott L. Bok	
Robert H. Niehaus	
Harold J. Rodriguez, Jr.	

Severance Benefits

In connection with the commencement of their employment prior to the Acquisition, each of the named executive officers individually negotiated the severance provisions set forth in their respective employment agreements or employment letter agreements that are applicable under various termination scenarios, including termination without cause, termination for good reason or constructive discharge and termination in connection with a change in control. These provisions are discussed more fully in the section below under the heading Potential Payments upon Termination or Change in Control.

401(k) Plan

Our employees, including our named executive officers, are eligible to participate in our 401(k) plan. Our 401(k) plan is intended to qualify as a tax qualified plan under Section 401 of the Internal Revenue Code of 1986, as amended, or the Code. Our 401(k) plan provides that each participant may contribute a portion of his or her pretax compensation, up to a statutory limit, which for most employees is \$16,500 in 2009, with a larger catch up limit for older employees. Employee contributions are held and invested by the plan's trustee. We match employee contributions dollar for dollar up to 5% of an employee's salary, with a maximum match per employee of \$12,250 in each calendar year.

Other Benefits and Perquisites

Under the terms of his employment agreement with Iridium Holdings, which we effectively assumed in the Acquisition, Mr. Desch is entitled to a leased automobile at our expense and we reimburse Mr. Desch for the annual dues at a Washington, D.C.-area country club.

We provide medical insurance, dental insurance, vision coverage, life insurance and accidental death and dismemberment insurance benefits to all full-time employees, including our named executive officers. These benefits are available to all employees, subject to applicable laws. Our executive officers generally do not receive any perquisites, except for the benefits described above for Mr. Desch. In addition, from time to time, we have provided relocation expenses in connection with the relocation of executive officers. We do not make available to any employees any defined benefit pension or nonqualified deferred compensation plan or arrangement.

Deductibility of Executive Compensation; Code Section 162(m)

One or more executive officer's annual compensation may exceed \$1.0 million. Code Section 162(m) denies a federal income tax deduction for specified compensation in excess of \$1.0 million per year paid to the chief executive officer and the three other most highly paid executive officers, other than a company's chief executive officer and chief financial officer, of a publicly traded corporation. Some types of compensation, including compensation based on performance criteria that are approved in advance by stockholders, are excluded from the deduction limit. Our policy is to qualify compensation paid to our executive officers for deductibility for federal income tax purposes to the extent feasible. However, to retain highly skilled executives and remain competitive with other employers, our Compensation Committee may authorize compensation that would not be deductible under Section 162(m) or otherwise if it determines that such compensation is in the best interests of our company and its stockholders.

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Accounting Considerations

Any equity compensation expense will be accounted for under accounting rules that require a company to estimate and record an expense for each award of equity compensation over the service period of the award.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2009, the members of our Compensation Committee were Messrs. Pfeiffer, Jones, Krongard and Niehaus, none of whom is a current or former employee of our company or of Iridium Holdings. During 2009 prior to the Acquisition, the members of the Iridium Holdings compensation committee were Messrs. Pfeiffer, Jones and Krongard. Mr. Niehaus served as our chief executive officer from September 20, 2009 until the closing of the Acquisition on September 29, 2009 and as our senior vice president from our formation in 2007 through the closing of the Acquisition.

For information about related-party transactions with Mr. Niehaus and his affiliates, see Certain Relationships and Related Transactions and Director Independence. None of the other members of our Compensation Committee had a direct or indirect material interest in any related-party transaction involving our company or Iridium Holdings.

No interlocking relationships exist between our Board of Directors or our Compensation Committee and the Board of Directors or the compensation committee of any other entity. None of our executive officers serves, or in the past year has served, as a member of the Board of Directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or our Compensation Committee or on the Board of Directors or compensation committee of Iridium Holdings.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis for the year ended December 31, 2009. Based on the review and discussions, the Compensation Committee approved the inclusion of the Compensation Discussion and Analysis in this Annual Report on Form 10-K for the year ended December 31, 2009.

Respectfully submitted,

COMPENSATION COMMITTEE

Steven B. Pfeiffer, Chairman

Terry L. Jones

Alvin B. Krongard

Robert H. Niehaus

EXECUTIVE COMPENSATION

The following information regarding 2009 compensation to our named executive officers includes both compensation they received from Iridium Holdings prior to the Acquisition in September 2009 and compensation they received from us after they joined our executive team following the Acquisition. Information regarding 2008 compensation includes only compensation they received from Iridium Holdings. Prior to the Acquisition, none of our officers received any compensation for service rendered to us.

The named executive officers consist of our chief executive officer, our chief financial officer, our other three most highly compensated executive officers during 2009, and three other individuals who served as our chief executive officer or chief financial officer during 2009 prior to the Acquisition.

Table of Contents**Summary Compensation Table**

The following table shows the total compensation earned by the named executive officers in 2008 and 2009.

Name and Principal Position	Year	Salary (1)	Equity Awards (2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	All Other Compensation	Total
Matthew J. Desch, Chief Executive Officer	2009	\$ 675,000		\$ 2,246,964	\$ 486,000	\$ 23,353 (5)	\$ 3,431,317
	2008	675,000	\$ 3,573,953		759,375	32,389 (5)	5,040,717
Eric H. Morrison, Chief Financial Officer	2009	325,000		364,635	214,500	12,250 (6)	916,385
	2008	325,000			304,688	11,500 (6)	641,188
John S. Brunette, Chief Legal and Administrative Officer	2009	430,000		758,350	258,000	12,250 (7)	1,458,600
	2008	430,000	539,741		258,000	4,480 (7)	1,232,221
Gregory C. Ewert, Executive Vice President of Global Distribution Channels	2009	340,000		758,350	193,800	12,250 (6)	1,304,400
	2008	340,000			318,750	11,500 (6)	670,250
John M. Roddy, Executive Vice President for Global Operations and Product Development	2009	320,000		758,350	145,920	12,250 (8)	1,236,520
	2008	320,000			240,000	40,871 (8)	600,871
Scott L. Bok, former chief executive officer(9)	2009					25,000 (10)	25,000
	2008						
Robert H. Niehaus, former chief executive officer(11)	2009					25,000 (10)	25,000
	2008						
Harold J. Rodriguez, Jr., former chief financial officer(12)	2009						
	2008						

- (1) The amounts in this column for 2009 reflect the following amounts of salary paid by Iridium Holdings to the respective executive for the period prior to the Acquisition: \$506,250 to Mr. Desch, \$243,750 to Mr. Morrison, \$322,500 to Mr. Brunette, \$255,000 to Mr. Ewert and \$240,000 to Mr. Roddy; plus the following amounts of salary paid by us to the respective executive for the period following the Acquisition: \$168,750 to Mr. Desch, \$81,250 to Mr. Morrison, \$107,500 to Mr. Brunette, \$85,000 to Mr. Ewert and \$80,000 to Mr. Roddy.
- (2) The amounts in this column for 2008 reflect the aggregate dollar amount of the accounting expenses that were recognized in 2008 and will be recognized in subsequent years for financial statement reporting purposes with respect to LLC units in Employee Holdings granted in 2008. Pursuant to SEC rules, these amounts exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in Note 2 to Iridium Holdings consolidated financial statements for the year ended December 31, 2008.
- (3) The amounts in this column for 2009 reflect the aggregate dollar amount of the accounting expense that will be recognized in 2009 and subsequent years for financial statement reporting purposes with respect to stock options granted in 2009. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in Note 2 to our consolidated financial statements for the year ended December 31, 2009.
- (4) The amounts in this column reflect cash incentive bonuses earned during the respective year and paid during the first quarter of the following year.
- (5) Consists in 2008 of \$11,500 in 401(k) matching contributions, \$8,889 of company-paid expenses for personal use of a leased automobile and \$12,000 in reimbursement of country club dues. Consists in 2009 of \$12,250 in 401(k) matching contributions, \$3,803 of company-paid expenses for personal use of a leased automobile and \$7,300 in reimbursement of country club dues.
- (6) Consists of 401(k) matching contributions.
- (7) Consists of 401(k) matching contributions.
- (8) Includes 401(k) matching contributions of \$11,500 in 2008 and \$12,250 in 2009 and relocation assistance valued at \$29,371 in 2008.

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- (9) Mr. Bok served as chief executive officer of our company until September 20, 2009.
- (10) Mr. Bok and Mr. Niehaus each received directors fees of \$25,000 for their service on our Board for the period following the Acquisition through the end of 2009. These fees are also reflected in the Director Compensation for 2009 table below.
- (11) Mr. Niehaus served as chief executive officer of our company from September 20, 2009 until the closing of the Acquisition.
- (12) Mr. Rodriguez served as chief financial officer of our company until the closing of the Acquisition.

Table of Contents**Grants of Plan-Based Awards for 2009**

The following table sets forth information relating to grants of plan-based incentive awards to the named executive officers in 2009.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Number of Shares Underlying Option Awards (#)	Exercise Price of Option Awards (\$/Share)	Grant Date Fair Value of Option Awards (\$)(2)
		Threshold (\$)	Target (\$)	Maximum (\$)			
		Matthew J. Desch	(3)	607,500			
Eric H. Morrison	(3)	243,750	621,563	67,500	8.73	364,635	
John S. Brunette	(3)	322,500	822,375	135,000	8.73	758,350	
Gregory C. Ewert	(3)	255,000	650,250	135,000	8.73	758,350	
John M. Roddy	(3)	192,000	489,600	135,000	8.73	758,350	
Scott L. Bok							
Robert H. Niehaus							
Harold J. Rodriguez, Jr.							

- (1) These amounts represent the target and maximum payments for each named executive officer under the Iridium Holdings 2009 performance-based cash incentive bonus program. There were no minimum or threshold amounts under this program.
- (2) The amounts in this column reflect the aggregate dollar amount of the accounting expense that will be recognized in 2009 and subsequent years for financial statement reporting purposes with respect to stock options granted in 2009. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in Note 11 to our consolidated financial statements for the year ended December 31, 2009.
- (3) All non-equity incentive awards were granted on February 24, 2009 and all stock options were granted on November 19, 2009.

Outstanding Equity Awards at 2009 Year-End

The following table sets forth the equity-based awards held by the named executive officers that were outstanding on December 31, 2009.

Name	Option Awards		Option Exercise Price (\$/Share)	Option Expiration Date
	Exercisable (1)	Unexercisable (1)		
Matthew J. Desch		400,000	8.73	11-19-2019
Eric H. Morrison		67,500	8.73	11-19-2019
John S. Brunette		135,000	8.73	11-19-2019
Gregory C. Ewert		135,000	8.73	11-19-2019
John M. Roddy		135,000	8.73	11-19-2019
Scott L. Bok				
Robert H. Niehaus				
Harold J. Rodriguez, Jr.				

- (1) All options shown vest 25% on November 19, 2010, the first anniversary of their grant date, and the remaining 75% thereafter in 12 equal quarterly installments, except for Mr. Morrison's option, which vests 50% on November 19, 2010 and the remaining 50% thereafter in four equal quarterly installments.

Option and SAR Exercises in 2009

The following table sets forth, for each named executive officer, equity awards similar to stock appreciation rights, or SARs, exercised during 2009. No named executive officer exercised any options in 2009.

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Name	SAR Exercises	
	Number of Iridium Holdings Units Acquired on Exercise (#)	Value Realized on Exercise (3) (\$)
Matthew J. Desch	39,582 (1)	2,180,445
	39,582 (2)	4,483,698
Eric H. Morrison	15,484 (1)	4,019,919
John S. Brunette		
Gregory C. Ewert	15,484 (1)	3,985,103
John M. Roddy	7,976 (2)	179,518
Scott L. Bok		
Robert H. Niehaus		
Harold J. Rodriguez, Jr.		

- (1) Reflects the number of Iridium Holdings Class B units underlying the total (gross) number of units of Employee Holdings and Iridium Employee Holdings held by the executive prior to the Acquisition, before giving effect to the reduction of the number of units actually received by the executive at the time of the Acquisition in a transaction akin to a net exercise, as described under the caption Compensation Discussion and Analysis Elements of Executive Compensation Equity-Based Incentive Compensation . The reduced (net) number of Iridium Class B units indirectly received by the executives at the time of the Acquisition was 7,923 in the case of Mr. Desch, 14,608 in the case of Mr. Morrison and 14,481 in the case of Mr. Ewert.
- (2) Reflects the gross number of Iridium Holdings Class B units equivalent to the executive's phantom profits interests in Iridium Holdings prior to the closing of the Acquisition.
- (3) Reflects the value realized upon the exchange of the underlying Iridium Holdings Class B units for cash and shares of our common stock in the Acquisition. Also reflects, in the case of Mr. Desch and Mr. Roddy, the amounts they received upon the cash-out of their phantom profits interests in Iridium Holdings at the closing of the Acquisition.

Employment Agreements***Mr. Desch's Employment Agreement***

Iridium Holdings entered into an employment agreement with Mr. Desch in September 2006 pursuant to which he served as Iridium Holdings Chief Executive Officer. We assumed this agreement by virtue of the Acquisition and it was immaterially amended in February 2010. The agreement has an initial term of four years ending September 17, 2010 and will automatically renew for an additional two year term unless we or Mr. Desch give written notice of intent not to renew the agreement not more than six months prior to the renewal date. The employment agreement provides for payment of a base salary of no less than \$550,000, which must be increased each year by at least the same percentage the consumer price index for the Washington, D.C.- Baltimore metro area increases for that year. Pursuant to his employment agreement, Mr. Desch is entitled to participate in our annual incentive plan with a target award of up to 70% of his then base salary as determined by our Compensation Committee and based upon performance goals set by the Compensation Committee for the year.

Mr. Desch is eligible to participate in employee benefit plans made available to other senior executives. In addition, we are required to provide him with an automobile and pay all the related expenses and reimburse him for the cost of annual dues for a private club of his choice in the metropolitan Washington, D.C. area.

In his employment agreement, Mr. Desch has agreed not to compete with us nor solicit our employees for alternative employment during the term of his agreement and for a period of one year after termination of employment by us for cause or if he voluntarily terminates his employment without good reason.

Mr. Desch's employment agreement provides for payments upon specified terminations of his employment. For a description of these termination provisions, whether or not following a change in control, and a quantification of benefits that would be received see the heading Potential Payments upon Termination or Change in Control below.

Other than the agreement with Mr. Desch, we do not have any other employment agreements with other named executive officers. However, Iridium Holdings had entered into employment letter agreements with the other named executive officers set forth below, which we have assumed by virtue of the Acquisition.

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Employment Letter Agreements for Other Named Executive Officers

Mr. Morrison. Mr. Morrison entered into an employment letter agreement with Iridium Holdings on April 25, 2006, pursuant to which he served as its Executive Vice President and Chief Financial Officer. We assumed this employment letter agreement by virtue of the Acquisition. The employment letter agreement provides for an initial base salary of \$260,000 and participation in our annual incentive plan with a target award of up to 35% of base salary as determined by our Compensation Committee and based upon performance goals set by the Compensation Committee for the year.

Mr. Brunette. Mr. Brunette entered into an employment letter agreement with Iridium Holdings on December 6, 2007 to serve as its Chief Administrative Officer and General Counsel. We assumed this employment letter agreement by virtue of the Acquisition. The employment letter agreement provides for payment of a base salary of \$335,000 and participation in our annual incentive plan with a target award of up to 35% of his then base salary as determined by our Compensation Committee and based upon performance goals set by the Compensation Committee for the year.

Mr. Ewert. Mr. Ewert entered into an employment letter agreement with Iridium Holdings on September 30, 2004 to serve as its Executive Vice President of Marketing and Business Development. We assumed this employment letter agreement by virtue of the Acquisition. The employment letter agreement provides for payment of a base salary of \$200,000 and participation in our annual incentive plan with a target award of up to 60% of his then base salary as determined by our Compensation Committee and based upon performance goals set by the Compensation Committee for the year.

Mr. Roddy. Mr. Roddy entered into an employment letter agreement with Iridium Holdings on August 1, 2007 to serve as its Executive Vice President of Customer Care, Gateway and Network Operations. We assumed this agreement by virtue of the Acquisition. The employment letter agreement provides for payment of a base salary of \$260,000 and participation in our annual incentive plan with a target award of up to 35% of his then base salary as determined by our Compensation Committee and based upon performance goals set by the Compensation Committee for the year.

Each of the employment letter agreements provides for payments upon specified terminations of the executive's employment. For a description of these termination provisions, and a quantification of benefits that would be received see the heading Potential Payments upon Termination or Change in Control below.

Potential Payments upon Termination or Change in Control

Severance Payments.

The section below describes the payments that may be made to the named executive officers in connection with a change in control or pursuant to specified termination events. In the absence of an employment agreement or employment letter agreement to the contrary, the named executive officers are employed at-will and are not entitled to any payments upon termination or a change in control other than their accrued but unpaid salary or benefits.

Matthew J. Desch. The employment agreement for Mr. Desch, described above, provides for payments to him in the event of the termination of his employment in the scenarios described below.

Termination by reason of death. In the case of Mr. Desch's death, we are required to continue to pay to Mr. Desch's estate his base salary as of the date of death for a period of six months following his death and continue benefits to his spouse in accordance with the terms of our benefit plans.

Termination without cause, for good reason or in connection with a change in control. In the event that we terminate Mr. Desch's employment without cause, Mr. Desch terminates employment for good reason, or his employment is terminated in connection with a change in control, each as defined in his employment agreement, we are required to pay, or provide, to him in a lump sum, 100% of his base salary as in effect on the date of termination of employment plus 100% of his annual bonus amount under his employment agreement for the year of termination, assuming all performance targets and objectives had been met. Also, we must provide Mr. Desch with health insurance or reimburse him for the cost of his COBRA payments for one year following termination of employment or until he is covered under a new employer's health plan, whichever comes first.

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Eric H. Morrison. The employment letter agreement for Mr. Morrison provides that he may be terminated by us for any reason upon 30 days written notice. However, in the event he is terminated by us without cause or he terminates his employment as a result of a constructive discharge, he will be entitled to three months of salary continuation based upon his then current rate of pay. In addition, in the event his employment is terminated by us without cause or he terminates his employment as a result of constructive discharge, he will be entitled to receive a pro-rated portion of his target bonus amount for the year of termination based upon the actual achievement of plan targets for the year of termination. For purposes of his employment letter agreement, constructive discharge is defined as the assignment of duties materially inconsistent with his position, authority, duties or responsibilities, or a substantially adverse alteration in the nature or status of his responsibilities.

John S. Brunette. The employment letter agreement for Mr. Brunette provides that he may be terminated by us for any reason upon 30 days written notice. However, in the event his employment is terminated by us without cause or he terminates his employment as a result of constructive discharge, he will be entitled receive a pro-rated portion of his target bonus amount for the year of termination based upon the actual achievement of plan targets for the year of termination. For purposes of his employment letter agreement, constructive discharge is defined as the assignment of duties materially inconsistent with his position, authority, duties or responsibilities, or a substantially adverse alteration in the nature or status of his responsibilities.

Gregory C. Ewert. The employment letter agreement for Mr. Ewert provides that in the event his employment is terminated as a result of a change in control, he will be entitled to continuation of his then current base salary for a period of six months following termination of employment.

John M. Roddy. The employment letter agreement for Mr. Roddy provides that he may be terminated by us for any reason upon 30 days written notice. However, in the event he is terminated by us without cause by or he terminates his employment as a result of constructive discharge, he will be entitled to salary continuation for a period of six months following termination of employment. If, after the six month period, Mr. Roddy has not found suitable employment, the salary continuation payments will continue for up to an additional three months or until Mr. Roddy finds suitable employment, whichever comes first. In addition, in the event his employment is terminated by us without cause or he terminates his employment as a result of constructive discharge, he will be entitled to receive a pro-rated portion of his target bonus amount for the year of termination based upon the actual achievement of plan targets for the year of termination. For purposes of his employment letter agreement, constructive discharge is defined as the assignment of duties materially inconsistent with his position, authority, duties or responsibilities, or a substantially adverse alteration in the nature or status of his responsibilities.

Estimated Current Value of Post-Employment Severance Benefits

The following table shows payments that would be made to each named executive officer in the event of a termination of employment on December 31, 2009 under different scenarios.

Executive	Death	Without Cause or for Good Reason/ Constructive Discharge	Involuntary termination in connection with a Change in Control
Matthew J. Desch	\$ 343,600 (1)	\$ 1,294,700(2)	\$ 1,294,700(2)
Eric H. Morrison		81,250 (3)	
John S. Brunette		322,500 (4)	
Gregory C. Ewert			170,000 (1)
John M. Roddy		240,000 (5)	
Scott L. Bok			
Robert H. Niehaus			
Harold J. Rodriguez, Jr.			

- (1) Equal to 6 months of salary and continuation of health benefits for his spouse for 6 months.
- (2) Equal to the sum of 12 months of base salary, annual bonus at target level and continuation of health benefits for 12 months.
- (3) Equal to 3 months of salary.
- (4) Equal to annual target bonus.

- (5) Equal to 9 months of salary.

Table of Contents**Director Compensation for 2009**

The following table provides summary information concerning compensation paid or accrued by us during 2009 to or on behalf of our directors and those of Iridium Holdings for services rendered during 2009. The amounts in the table include both compensation received from Iridium Holdings prior to the Acquisition in September 2009 and compensation received from us after the Acquisition. In 2009, the outside directors of Iridium Holdings were entitled to an annual cash retainer of \$100,000, paid quarterly, and we maintained that policy following the Acquisition. None of the directors received any compensation other than their cash retainer in consideration for their service on our Board or that of Iridium Holdings. Mr. Desch, who is a named executive officer in addition to being a director, did not receive any separate compensation for service in his capacity as a director and accordingly he is not included in this table.

Name	Fees Earned or Paid in Cash (1)
J. Darrel Barros	\$ 25,000
Thomas C. Canfield	25,000
Peter M. Dawkins	25,000
Terry L. Jones	25,000
Alvin B. Krongard	116,667
Steven B. Pfeiffer	25,000
Parker W. Rush	25,000
Scott L. Bok	25,000
Robert H. Niehaus	25,000
Kevin P. Clarke(2)	

(1) All fees in this column were paid by us following the Acquisition, except in the case of Mr. Krongard. The amount for Mr. Krongard reflects \$91,667 of fees paid by Iridium Holdings for the period prior to the Acquisition plus \$25,000 of fees paid by us for the period following the Acquisition.

(2) Mr. Clarke resigned from our Board of Directors upon the closing of the Acquisition on September 29, 2009.

We adopted a new compensation policy for non-employee directors effective January 1, 2010. Under this policy, each non-employee director is eligible to receive an annual retainer of \$140,000 for serving on the Board of Directors. In addition, an annual retainer of \$50,000 is awarded for serving as the Chairman of the Board, an annual retainer of \$20,000 is awarded for serving as the Chairman of the Audit Committee, an annual retainer of \$15,000 is awarded for serving as the Chairman of the Compensation Committee and an annual retainer of \$7,500 is awarded for serving as the Chairman of the Nominating and Corporate Governance Committee.

At the election of each non-employee director, the \$140,000 retainer for serving on the Board of Directors may be paid entirely in stock options, restricted stock or restricted stock units or some combination of these instruments and up to \$50,000 in cash. In addition, at the election of the non-employee director, the retainers for serving as Chairman of the Board or chairman of a committee may be paid in either restricted stock units, cash or a combination of both.

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Any cash component of the compensation is paid, and any equity component vests, on a quarterly basis. Until six months after the termination of the director's service or upon a specified change of control of our company, if it occurs earlier, the directors may not sell any of these shares of restricted stock or stock acquired upon the exercise of these options and may not settle any of these restricted stock units.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information regarding the ownership of our common stock as of February 25, 2010 by: (i) each director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock.

Beneficial Owner	Beneficial Ownership (1)	
	Number of shares	Percentage
5% Holders		
Baralonco Limited(2)	11,648,080	16.6%
Greenhill & Co., Inc.(3)	12,924,016	17.4
Integrated Core Strategies (US) LLC(4)	5,350,620	7.1
Syndicated Communications, Inc.(5)	5,280,580	7.5
Syndicated Communications Venture Partners IV, L.P.(6)	4,030,855	5.7
T. Rowe Price Associates, Inc.(7)	4,377,600	6.2
Executive Officers and Directors		
Matthew J. Desch(8)	223,493	*
Eric H. Morrison	280,218	*
John S. Brunette		*
Gregory C. Ewert	277,791	*
John M. Roddy		*
Robert H. Niehaus(9)	601,967	*
Scott L. Bok(10)	931,234	1.3
Thomas C. Canfield(11)	91,451	*
Brigadier Gen. Peter M. Dawkins (Ret.)(12)	2,920	*
Terry L. Jones(13)	4,033,743	5.7
Alvin B. Krongard(14)	32,572	*
Steven B. Pfeiffer(15)	3,788	*
J. Darrel Barros(16)	2,888	*
Parker W. Rush(17)	90,199	*
Harold J. Rodriguez, Jr.(18)		*
All directors and executive officers as a group (18 persons)(19)	6,750,422	9.5

* Less than 1% of the outstanding shares of common stock.

- (1) This table is based upon information supplied by officers, directors and principal stockholders. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 70,247,701 shares outstanding on February 25, 2010.
- (2) This information has been obtained from a Schedule 13D filed on October 8, 2009 by Baralonco Limited and its sole owner, Khalid bin Abdullah bin Abdulrahman. According to the Schedule 13D, Khalid bin Abdullah bin Abdulrahman shares voting and dispositive power with respect to the shares held by Baralonco Limited. The principal business address of Baralonco Limited is: Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands VG1110.
- (3) This information has been obtained from a Schedule 13G/A filed on February 10, 2010 by Greenhill & Co., Inc., or Greenhill. According to the Schedule 13G/A, Greenhill has sole voting and dispositive power with respect to 12,924,106 shares of our common stock, which include 4,000,000 shares underlying immediately exercisable warrants. Mr. Bok, one of our directors, is a managing director of Greenhill. Mr. Niehaus, a director of our company, is Chairman of Greenhill Capital Partners. Mr. Rodriguez is our former Chief Financial Officer and is Chief Administrative Officer, Chief Compliance Officer and a managing director of Greenhill. The principal business address of

Greenhill is: 300 Park Avenue, New York, NY 10022.

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- (4) This information has been obtained from a Schedule 13G filed on October 26, 2009 by Integrated Core Strategies (US) LLC, or ICS, as supplemented by the stockholder. According to the Schedule 13G, Millennium Management LLC, or Millennium, as the general partner of the managing member of ICS, and Mr. Israel A. Englander, as the managing member of Millennium, shares voting and dispositive power with respect to the 5,350,620 shares underlying immediately exercisable warrants. The principal business address of ICS is: 666 Fifth Avenue, New York, NY 10103.
- (5) This information has been obtained from a Schedule 13D filed on October 9, 2009 by Syndicated Communications, Inc., or SCI. According to the Schedule 13D, Mr. Wilkins, who has a controlling ownership interest in SCI, shares voting and dispositive power with respect to the shares held by SCI. The principal business address of SCI is: 10420 Little Patuxent Way, Suite 495, Columbia, MD 21044.
- (6) This information has been obtained from a Schedule 13D filed on October 9, 2009 by Syndicated Communications Venture Partners IV, L.P., or the SynCom Fund. According to the Schedule 13D, WJM Partners IV, LLC, or WJM, as the SynCom Fund's General Partner, and Messrs. Terry L. Jones, Duane McKnight, Herbert Wilkins, Sr., and Milford Anthony Thomas as the managing members of WJM shares voting and dispositive power with respect to the shares held by the SynCom Fund. The principal business address of the SynCom Fund is: 8515 Georgia Avenue, Suite 725, Silver Spring, MD 20910.
- (7) This information has been obtained from a Schedule 13G filed on February 12, 2010 by T. Rowe Price Associates, Inc., or T. Rowe Price. According to the Schedule 13G, T. Rowe Price has sole voting power with respect to 836,000 shares of our common stock and sole dispositive power with respect to 4,377,600 shares of our common stock, which includes 389,700 and 1,985,500 shares underlying immediately exercisable warrants, respectively. The principal business address of T. Rowe Price is 100 E. Pratt Street, Baltimore, MD 21202.
- (8) Includes 27,000 shares underlying immediately exercisable warrants.
- (9) Includes 200,000 shares underlying immediately exercisable warrants and 3,691 shares underlying vested restricted stock units.
- (10) Includes 200,000 shares underlying immediately exercisable warrants and 4,734 shares underlying vested restricted stock units.
- (11) Includes 43,479 shares underlying immediately exercisable warrants and 4,493 shares underlying vested restricted stock units.
- (12) Consists of 2,920 shares underlying vested restricted stock units.
- (13) Consists of 4,030,855 shares held by the SynCom Fund and 2,888 shares underlying vested restricted stock units held directly by Mr. Jones. Mr. Jones is a managing member of WJM, the General Partner of the SynCom Fund. Mr. Jones disclaims beneficial ownership of the shares held by the SynCom Fund except to the extent of his pecuniary interest in such shares.
- (14) Includes 7,384 shares issuable upon the exercise of stock options exercisable within 60 days of February 25, 2010. Excludes 115,233 shares held by The Krongard Irrevocable Equity Trust dated June 30, 2009, a trust held for the benefit of Mr. Krongard's children of which Mr. Krongard's wife is the trustee. Mr. Krongard disclaims beneficial ownership of any shares held by The Krongard Irrevocable Equity Trust dated June 30, 2009.
- (15) Consists of 1,573 shares underlying vested restricted stock units and 2,215 shares issuable upon the exercise of stock options exercisable within 60 days of February 25, 2010.
- (16) Consists of 2,888 shares underlying vested restricted stock units.
- (17) Includes 43,479 shares underlying immediately exercisable warrants and 3,241 shares underlying vested restricted stock units.
- (18) Excludes 15,000 shares and 15,000 shares underlying immediately exercisable warrants held by Mr. Rodriguez's wife, as to which Mr. Rodriguez disclaims beneficial ownership.
- (19) Includes 9,599 shares issuable upon the exercise of stock options exercisable within 60 days of February 25, 2010, an aggregate of 513,958 shares underlying immediately exercisable warrants and 26,428 shares underlying vested restricted stock units. See footnotes 8 through 17.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides certain information with respect to all of our equity compensation plans in effect as of December 31, 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	2,636,400	\$8.73	5,363,600
Equity compensation plans not approved by security holders			
Total	2,636,400	\$8.73	5,363,600

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Item 13. Certain Relationships and Related Transactions and Director Independence

RELATED-PERSON TRANSACTIONS POLICY AND PROCEDURES

In 2009, we adopted a written Related-Person Transactions Policy that sets forth our policies and procedures regarding the identification, review, consideration and approval or ratification of related-persons transactions. For purposes of our policy only, a related-person transaction is a transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we and any related person are participants involving an amount that exceeds \$120,000. Transactions involving compensation for services provided to us as an employee, director, consultant or similar capacity by a related person are not covered by this policy. A related person is any executive officer, director, or more than 5% stockholder of us, including any of their immediate family members, and any entity owned or controlled by such persons.

Under the policy, where a transaction has been identified as a related-person transaction, management must present information regarding the proposed related-person transaction to the Audit Committee (or, where Audit Committee approval would be inappropriate, to another independent body of the Board) for consideration and approval or ratification. The presentation must include a description of, among other things, the material facts, the interests, direct and indirect, of the related persons, the benefits to us of the transaction and whether any alternative transactions were available. To identify related-person transactions in advance, we rely on information supplied by its executive officers, directors and certain significant stockholders. In considering related-person transactions, the Committee takes into account the relevant available facts and circumstances including, but not limited to (a) the risks, costs and benefits to us, (b) the impact on a director's independence in the event the related person is a director, immediate family member of a director or an entity with which a director is affiliated, (c) the terms of the transaction, (d) the availability of other sources for comparable services or products and (e) the terms available to or from, as the case may be, unrelated third parties or to or from employees generally. In the event a director has an interest in the proposed transaction, the director must recuse himself or herself from the deliberations and approval. The policy requires that, in determining whether to approve, ratify or reject a related-person transaction, the Committee consider, in light of known circumstances, whether the transaction is in, or is not inconsistent with, the best interests of us and our stockholders, as the Committee determines in the good faith exercise of its discretion.

RELATED-PERSON TRANSACTIONS

Founding Stockholder's Warrant Forfeiture in Connection with the Acquisition

Pursuant to letter agreements dated September 22, 2008 and April 28, 2009, Greenhill agreed to forfeit at the closing of the Acquisition the following securities which it owned at the time: (1) 1,441,176 shares of our common stock purchased as part of a unit purchase on November 13, 2007; (2) 8,369,563 warrants purchased as part of a unit purchase on November 13, 2007; and (3) 4,000,000 warrants purchased in a private placement on February 21, 2008. Greenhill did not receive any consideration for these forfeitures, but agreed to them in order to facilitate the closing of the Acquisition. Greenhill is a significant stockholder of our company and two of our directors, Messrs. Bok and Niehaus, and three of our executive officers prior to the Acquisition, Messrs. Bok, Niehaus and Rodriguez, are managing directors of Greenhill.

At the closing of the Acquisition on September 29, 2009, Greenhill forfeited the securities described above.

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Warrant Exchanges in Connection with the Acquisition

On July 29, 2009, we entered into agreements with Greenhill and Messrs. Bok and Niehaus to restructure, at the closing of the Acquisition, warrants they held entitling them to acquire shares of our common stock. This was part of a larger series of transactions in which we entered into agreements with a number of investors who had acquired warrants in our initial public offering to repurchase or restructure those warrants. We negotiated this series of transactions to reduce significantly the magnitude of the potential dilution to our stockholders and potential short selling in connection with and following the consummation of the Acquisition.

In particular, we agreed with Greenhill and Messrs. Bok and Niehaus to restructure warrants held by them to purchase 4,000,000, 200,000 and 200,000 shares, respectively, to:

increase their exercise price from \$7.00 per share to \$11.50 per share;

extend their exercise period by two years from February 2013 to February 2015; and

increase the price of our common stock at which we can redeem the restructured warrants from \$14.25 to \$18.00.

To effectuate the restructuring, we agreed, at the closing of the Acquisition, to enter into new warrant agreements for the restructured warrants having terms substantially similar to the terms set forth in the old warrants, except as set forth above.

We also agreed to file with the SEC, as soon as practicable following the issuance of the restructured warrants, but in no event later than 15 business days following the issuance of the restructured warrants, a resale registration statement to allow for the resale of shares of our common stock issued in connection with the restructured warrants and the shares of our common stock underlying such restructured warrants. If the registration statement had not been declared effective by the SEC within 30 business days following the issuance of the restructured warrants, the warrant holders would have had the right to sell to us, for cash, the restructured warrants for a price equal to the difference between the weighted average price of the shares of our common stock during a specified period over the exercise price of the restructured warrants.

Upon the closing of the Acquisition, Greenhill and Messrs. Bok and Niehaus exchanged their old warrants for new warrants having the restructured terms. We timely filed the registration statement covering the shares underlying the warrants and the registration statement was declared effective by the SEC within the specified time frame.

Note Conversion

In October 2009, Greenhill & Co. Europe Holdings Limited, or Greenhill Europe, elected to convert a convertible note previously issued to it by Iridium Holdings in the principal amount of \$22.9 million into 1,995,629 shares of our common stock. This conversion was in accordance with the terms of the note, which was originally issued in 2008. Greenhill Europe is an affiliate of Greenhill and Messrs. Bok, Niehaus and Rodriguez.

Treatment of Equity Awards of Iridium Executives in the Acquisition; Stock Option Grants

At the closing of the Acquisition, phantom profits interests previously issued by Iridium Holdings to Messrs. Desch and Roddy were cashed out in full pursuant to their terms. Messrs. Desch and Roddy were executive officers of Iridium Holdings prior to the Acquisition and became executive officers of our company after the Acquisition.

At the closing of the Acquisition, we permitted units previously issued to Messrs. Desch, Morrison and Ewert in employee limited partnerships that in turn held units of Iridium Holdings to be settled in what amounted to a net exercise.

In November 2010, we granted stock options to our executive officers.

For more information about the phantom profits interests and their cash-out in the Acquisition, the employee units and their net settlement in the Acquisition and the option grants, see Executive Compensation Compensation Discussion and Analysis Elements of Executive

Compensation Equity-Based Incentive Compensation.

Conversion of Iridium Holdings Units in the Acquisition

In connection with the Acquisition, pursuant to the terms of the Transaction Agreement between our company, Iridium Holdings and the unitholders of Iridium Holdings, the following significant unitholders, executive officers and directors of Iridium Holdings exchanged units held by them in Iridium Holdings for cash and shares of our common stock, as set forth in the following table. The total cash received shown in the table includes cash payments made subsequent to the closing of the Acquisition in respect of tax benefits received by us as a result of the Acquisition.

Name	Total Cash Received	Shares of Common Stock Received
Significant Unit Holders:		
Syncom Iridium Holdings Corporation	\$ 10,555,095	4,030,855
Syndicated Communications Inc.	22,947,728	5,280,580
Baralonco, N.V.	27,882,794	10,648,080
Executive Officers:		
Matthew J. Desch	660,515	151,993
Eric H. Morrison	1,217,739	280,218
Dan Colussy	7,403,723	1,703,696
John S. Brunette		
Lt. Gen. John H. Campbell (Ret.)	128,814	29,642
Cynthia C. Cann		
Lee F. Demitry		
Gregory C. Ewert	1,207,193	277,791
John M. Roddy		
Donald L. Thoma	150,951	148,516
Directors:		
Tyrone Brown	2,582,116	594,180
Terry L. Jones		
Alvin B. Krongard	566,770	130,421
Steven B. Pfeiffer		

Table of Contents**INDEPENDENCE OF THE BOARD OF DIRECTORS**

As required under the NASDAQ listing standards, a majority of the members of a listed company's Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. Consistent with these considerations, after review of all relevant identified transactions or relationships between each director, or any of his family members, and us, our senior management and our independent registered public accounting firm, the Board has affirmatively determined that the following nine directors are independent directors within the meaning of the applicable NASDAQ listing standards: Messrs. Barros, Bok, Canfield, Dawkins, Jones, Krongard, Niehaus, Pfeiffer and Rush. In making this determination, the Board found that none of these directors had a material or other disqualifying relationship with us. Mr. Desch, our Chief Executive Officer, is not an independent director by virtue of his position as our Chief Executive Officer.

Item 14. Principal Accountant Fees and Services**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table represents aggregate fees billed to us for the fiscal years ended December 31, 2009 and December 31, 2008, by Ernst & Young LLP, our principal accountant.

	Year Ended December 31,	
	2009	2008
Audit fees ⁽¹⁾	\$ 911,000	\$ 100,000
Audit-related fees		
Tax fees ⁽²⁾	247,580	
All other fees ⁽³⁾		239,960
Total fees⁽⁴⁾	\$ 1,158,580	\$ 339,960

The firm of Eisner LLP acted as our independent registered public accounting firm for the period November 20, 2007 through January 21, 2009. On January 21, 2009, we changed our independent registered public accounting firm to Ernst & Young LLP from Eisner LLP. The decision to change independent registered public accounting firm was authorized by our Board of Directors. The following table presents fees for the review of our interim financial statements for the first three quarters for fiscal year 2008 and for all other services performed for fiscal year 2008 by Eisner LLP.

	2008
Audit fees ⁽⁵⁾	\$ 181,955
Audit-related fees	
Tax fees	
All other fees	
Total fees	\$ 181,955

- (1) Fees for audit services included fees associated with the annual audit, the reviews of our quarterly reports on Form 10-Q, statutory audits required internationally, and fees related to registration statements.
- (2) Tax fees included fees for tax compliance, tax advice and tax planning.
- (3) All other fees included fees for financial and tax diligence services in connection with our proposed acquisition of Iridium Holdings.
- (4) Prior to our acquisition of Iridium Holdings, Ernst & Young LLP served as Iridium Holdings' principal accountant. The above table only includes those fees billed by Ernst & Young LLP to Iridium Communications Inc. and does not include fees billed to Iridium Holdings prior to the Acquisition.
- (5) Audit fees included fees for the audit of our annual financial statements and reviews of the financial statements included in our quarterly reports on Form 10-Q.

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All fees described above were approved by the Audit Committee.

PRE-APPROVAL POLICIES AND PROCEDURES.

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm, Ernst & Young LLP. The policy generally pre-approves specified services in the defined categories of audit services, audit-related services and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual, explicit, case-by-case basis before the independent registered public accounting firm is engaged to provide each service. The pre-approval of services may be delegated to one or more of the Audit Committee's members, but the decision must be reported to the full Audit Committee at its next scheduled meeting.

The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules***(a) The following documents are filed as part of this Form 10-K:**(1) Financial Statements*

The following documents are included as Part II, Item 8. of this Form 10-K:

	Page
<i>Iridium Communications Inc.:</i>	
<u>Reports of Independent Registered Public Accounting Firms</u>	57
<u>Consolidated Balance Sheets</u>	59
<u>Consolidated Statements of Operations</u>	60
<u>Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income (Loss)</u>	61
<u>Consolidated Statements of Cash Flows</u>	62
<u>Notes to Consolidated Financial Statements</u>	63
<i>Iridium Holdings LLC - Predecessor Company:</i>	
<u>Report of Independent Registered Public Accounting Firm</u>	83
<u>Consolidated Balance Sheets</u>	84
<u>Consolidated Statements of Income</u>	85
<u>Consolidated Statements of Changes in Members' Deficit and Comprehensive Income</u>	86
<u>Consolidated Statements of Cash Flows</u>	87
<u>Notes to Consolidated Financial Statements</u>	88
<i>(2) Financial Statement Schedules</i>	

The financial statement schedules are not included here because required information is included in the consolidated financial statements.

(3) Exhibits

See Item 15(b) below.

(b) Exhibits

Exhibit No.	Document
2.1	Transaction Agreement dated September 22, 2008, incorporated herein by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 25, 2008.
2.2	Amendment to Transaction Agreement dated April 28, 2009, incorporated herein by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K filed with the SEC on April 28, 2009.
3.1	Amended and Restated Certificate of Incorporation dated September 29, 2009, incorporated herein by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
4.1	

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Specimen Common Stock Certificate, incorporated herein by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form S-1 (Registration No. 333-147722) filed with the SEC on February 4, 2008.

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Exhibit No.	Document
4.2	Amended and Restated Warrant Agreement between the Registrant and American Stock Transfer & Trust Company, incorporated herein by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed on February 26, 2008.
4.3	Specimen Warrant Certificate for \$7.00 Warrants, incorporated herein by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form S-1 (Registration No. 333-147722) filed with the SEC on February 4, 2008.
4.4	Warrant Agreement for \$11.50 Warrants between the Company and American Stock Transfer & Trust Company, incorporated herein by reference to Exhibit 4.4 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
4.5	Specimen Warrant Certificate for \$11.50 Warrants, incorporated herein by reference to Exhibit 4.5 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.1	Indemnification Contract, dated December 5, 2000, among Iridium Satellite LLC, The Boeing Company, Motorola, Inc. and the United States, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.2	Transition Services, Products and Asset Agreement, dated as of December 11, 2000, by and among Motorola, Inc., Iridium Holdings LLC and Iridium Satellite LLC, incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.3	Intellectual Property Rights Agreement, dated December 11, 2000, among Motorola Inc. and Iridium Satellite LLC, incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.4	Subscriber Equipment Technology Agreement (Design), dated as of September 30, 2002, by and among Motorola Inc. and SE Licensing LLC, incorporated herein by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.5	Subscriber Equipment Technology Agreement (Manufacturing), dated as of September 30, 2002, by and among Motorola Inc. and SE Licensing LLC, incorporated herein by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.6	Senior Subordinated Term Loan Agreement, dated as of December 11, 2000, among Iridium Satellite LLC and Motorola Inc., incorporated herein by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.7	Amended and Restated Contract for Transition, Steady State Operations and Maintenance, and Re-Orbit of the Iridium Constellation System, dated as of January 1, 2003, among Iridium Constellation LLC, Iridium Satellite LLC and The Boeing Company, as amended April 15, 2006, incorporated herein by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.8	Form of Registration Rights Agreement, incorporated by reference to Annex D of the Registrant's Proxy Statement filed with the SEC on August 28, 2009.
10.9	Amended and Restated Agreement for Manufacture, dated January 1, 2007, among Iridium Satellite LLC and Celestica Corporation, incorporated herein by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.10	Convertible Subordinate Promissory Note, dated October 24, 2008, of Iridium Holdings LLC for Greenhill & Co. Europe Holdings Limited, incorporated herein by reference to Exhibit 10.10 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.11*	Employment Agreement, dated September 18, 2006, among Iridium Holdings LLC, Iridium Satellite LLC and Matthew J. Desch, as amended April 20, 2007, January 21, 2008 and November 20, 2008, incorporated herein by reference to Exhibit 10.11 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.12 *	Offer Letter, dated December 6, 2007, for John S. Brunette, incorporated herein by reference to Exhibit 10.12 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.13 *	Offer Letter, dated April 25, 2006, for Eric Morrison, incorporated herein by reference to Exhibit 10.13 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
10.14*	Offer Letter, dated September 30, 2004, for Gregory Ewert, incorporated herein by reference to Exhibit 10.14 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.

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- 10.15 * Offer Letter, dated August 1, 2007, for John Roddy, as amended December 31, 2008, incorporated herein by reference to Exhibit 10.15 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
- 10.16* 2009 Iridium Communications Inc. Stock Incentive Plan, incorporated by reference to Annex E of the Registrant's Proxy Statement filed with the SEC on August 28, 2009.

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Exhibit No.	Document
10.17*	Form of Stock Option Award Agreement for use in connection with the 2009 Iridium Communications Inc. Stock Incentive Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2009.
10.18*	Form of Stock Appreciation Right Agreement for use in connection with the 2009 Iridium Communications Inc. Stock Incentive Plan, incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2009.
10.19*	Form of Restricted Stock Award Agreement for use in connection with the 2009 Iridium Communications Inc. Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2009.
10.20*	Non-Employee Director Compensation Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
10.21*	Form of Stock Option Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
10.22*	Form of Restricted Stock Award Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
10.23*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
21.1	List of Subsidiaries
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2	Consent of Eisner LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

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

* Denotes compensatory plan, contract or arrangement.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IRIDIUM COMMUNICATIONS INC.

Date: March 16, 2010

By: */s/* ERIC H. MORRISON
Eric H. Morrison
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
<i>/s/</i> MATTHEW J. DESCH Matthew J. Desch	Chief Executive Officer and Director (Principal Executive Officer)	March 16, 2010
<i>/s/</i> ERIC H. MORRISON Eric H. Morrison	Chief Financial Officer (Principal Financial Officer)	March 16, 2010
<i>/s/</i> CYNTHIA C. CANN Cynthia C. Cann	Vice President and Controller, Iridium Satellite LLC (Principal Accounting Officer)	March 16, 2010
<i>/s/</i> ROBERT H. NIEHAUS Robert H. Niehaus	Director and Chairman of the Board	March 16, 2010
<i>/s/</i> J. DARREL BARROS J. Darrel Barros	Director	March 16, 2010
<i>/s/</i> SCOTT L. BOK Scott L. Bok	Director	March 16, 2010
<i>/s/</i> THOMAS C. CANFIELD Thomas C. Canfield	Director	March 16, 2010
<i>/s/</i> PETER M. DAWKINS Peter M. Dawkins	Director	March 16, 2010
<i>/s/</i> TERRY L. JONES Terry L. Jones	Director	March 16, 2010
<i>/s/</i> ALVIN B. KRONGARD Alvin B. Krongard	Director	March 16, 2010
<i>/s/</i> STEVEN B. PFEIFFER Steven B. Pfeiffer	Director	March 16, 2010
<i>/s/</i> PARKER W. RUSH	Director	March 16, 2010

Parker W. Rush

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Table of Contents**EXHIBIT INDEX****(d) Exhibits**

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4.5	Specimen Warrant Certificate for \$11.50 Warrants, incorporated herein by reference to Exhibit 4.5 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
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10.8	

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Form of Registration Rights Agreement, incorporated by reference to Annex D of the Registrant's Proxy Statement filed with the SEC on August 28, 2009.

- 10.9 Amended and Restated Agreement for Manufacture, dated January 1, 2007, among Iridium Satellite LLC and Celestica Corporation, incorporated herein by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.
- 10.10 Convertible Subordinate Promissory Note, dated October 24, 2008, of Iridium Holdings LLC for Greenhill & Co. Europe Holdings Limited, incorporated herein by reference to Exhibit 10.10 of the Registrant's Current Report on Form 8-K filed with the SEC on September 29, 2009.

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10.16*	2009 Iridium Communications Inc. Stock Incentive Plan, incorporated by reference to Annex E of the Registrant's Proxy Statement filed with the SEC on August 28, 2009.
10.17*	Form of Stock Option Award Agreement for use in connection with the 2009 Iridium Communications Inc. Stock Incentive Plan, incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 2009.
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10.21*	Form of Stock Option Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
10.22*	Form of Restricted Stock Award Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
10.23*	Form of Restricted Stock Unit Agreement for Non-Employee Directors for use in connection with the Iridium Communications Inc. 2009 Stock Incentive Plan, incorporated herein by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on December 22, 2009.
21.1	List of Subsidiaries.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm
23.2	Consent of Eisner LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.

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

* Denotes compensatory plan, contract or arrangement.