

ICO Global Communications (Holdings) LTD
Form 10-Q
May 06, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

Or

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

For the transition period from _____ to _____

Commission File Number 001-33008

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

(Exact name of registrant as specified in its charter)

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

98-0221142
(IRS Employer
Identification No.)

2300 Carillon Point, Kirkland, Washington 98033
(Address of principal executive offices including zip code)

(425) 278-7100
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

As of May 1, 2011, the registrant had 200,412,660 shares of Class A common stock and 53,660,000 shares of Class B common stock outstanding.

Table of Contents

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

FORM 10-Q

For the three months ended March 31, 2011

INDEX

| | Page |
|--|-------------|
| <u>PART I. FINANCIAL INFORMATION</u> | |
| Item 1. | |
| <u>Financial Statements (unaudited):</u> | |
| <u>Condensed Consolidated Balance Sheets</u> | 1 |
| <u>Condensed Consolidated Statements of Operations</u> | 2 |
| <u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u> | 3 |
| <u>Condensed Consolidated Statements of Cash Flows</u> | 4 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 6 |
| Item 2. | |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17 |
| Item 3. | |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 21 |
| Item 4. | |
| <u>Controls and Procedures</u> | 21 |
| <u>PART II. OTHER INFORMATION</u> | |
| Item 1. | |
| <u>Legal Proceedings</u> | 22 |
| Item 1A. | |
| <u>Risk Factors</u> | 22 |
| Item 2. | |
| <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 22 |
| Item 3. | |
| <u>Defaults Upon Senior Securities</u> | 22 |
| Item 4. | |
| <u>Removed and Reserved</u> | 22 |
| Item 5. | |
| <u>Other Information</u> | 22 |
| Item 6. | |
| <u>Exhibits</u> | 22 |
| <u>Signatures</u> | 23 |
| <u>Certifications</u> | |

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Condensed Consolidated Balance Sheets****(In thousands, except share data, unaudited)**

| | March 31, 2011 | December 31, 2010 |
|---|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 51,860 | \$ 20,771 |
| Receivable from DISH Network associated with disposition of assets | 289,536 | |
| Prepaid expenses and other current assets | 686 | 701 |
| Total current assets | 342,082 | 21,472 |
| Property in service net of accumulated depreciation of \$549 and \$511, respectively | 271 | 286 |
| Other assets | 169 | 169 |
| Investment in DBSD | | 23,650 |
| Total | \$ 342,522 | \$ 45,577 |
| LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIENCY) IN ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 579 | \$ 403 |
| Accrued expenses | 11,203 | 14,836 |
| Payable to affiliates | 743 | 1,292 |
| Accrued interest | 25,081 | 23,759 |
| Capital lease obligations | 15,055 | 14,948 |
| Total current liabilities | 52,661 | 55,238 |
| Income tax | 10,669 | 12,973 |
| Total liabilities | 63,330 | 68,211 |
| Commitments and contingencies (Note 6) | | |
| Stockholders' equity (deficiency) in assets: | | |
| Preferred stock, \$.01 par value, 75,000,000 shares authorized, no shares issued or outstanding | | |
| Class A common stock, \$.01 par value, 900,000,000 shares authorized, 258,684,520 and 258,294,712 shares issued, and 200,387,660 and 200,069,966 shares outstanding | 2,587 | 2,583 |
| Class B convertible common stock, \$.01 par value, 150,000,000 shares authorized, 84,663,382 shares issued and 53,660,000 shares outstanding | 847 | 847 |
| Additional paid-in capital | 2,789,494 | 2,787,533 |
| Treasury stock, 58,296,860 and 58,224,746 shares of Class A common stock and 31,003,382 shares of Class B convertible common stock | (877,833) | (877,725) |
| Accumulated other comprehensive loss | (14,295) | (13,071) |
| Deficit accumulated during the development stage | (1,621,608) | (1,922,801) |

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

| | | |
|---|-------------------|------------------|
| Total stockholders' equity (deficiency) in assets | 279,192 | (22,634) |
| Total | \$ 342,522 | \$ 45,577 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Condensed Consolidated Statements of Operations****(In thousands, except share and per share data, unaudited)**

| | Three months ended March 31, | | February 9, 2000 (inception) to March 31, 2011 (development stage period) |
|--|---------------------------------|-------------------|---|
| | 2011 | 2010 | |
| Operating expenses: | | | |
| General and administrative | \$ 6,485 | \$ 4,546 | \$ 735,504 |
| Research and development | | | 83,792 |
| Contract settlements | (4,735) | | (95,356) |
| Impairment of property under construction | | | 1,438,304 |
| Loss on disposal of assets | | | 11,117 |
| Total operating expenses | 1,750 | 4,546 | 2,173,361 |
| Operating loss | (1,750) | (4,546) | (2,173,361) |
| Interest income | 7 | | 138,292 |
| Interest expense | (1,079) | (1,072) | (273,018) |
| Gain on deconsolidation of DBSD | | | 280,971 |
| Gain on liquidation of subsidiaries | | | 3,319 |
| Gain associated with disposition of assets | 300,886 | | 300,886 |
| Other income (expense) | 397 | (752) | (7,555) |
| Income (loss) before income taxes | 298,461 | (6,370) | (1,730,466) |
| Income tax benefit | 2,732 | 1,725 | 118,590 |
| Net income (loss) before cumulative effect of change in accounting principle | 301,193 | (4,645) | (1,611,876) |
| Cumulative effect of change in accounting principle | | | (1,944) |
| Net income (loss) | \$ 301,193 | \$ (4,645) | \$ (1,613,820) |
| Basic income (loss) per share: | | | |
| Income (loss) before cumulative effect of change in accounting principle | \$ 1.20 | \$ (0.02) | \$ (8.01) |
| Cumulative effect of change in accounting principle | | | (0.01) |
| Basic income (loss) per share | \$ 1.20 | \$ (0.02) | \$ (8.02) |
| Diluted income (loss) per share: | | | |
| Income (loss) before cumulative effect of change in accounting principle | \$ 1.18 | \$ (0.02) | \$ (8.01) |
| Cumulative effect of change in accounting principle | | | (0.01) |
| Diluted income (loss) per share | \$ 1.18 | \$ (0.02) | \$ (8.02) |
| Weighted average shares outstanding used to compute basic income (loss) per share | 251,959,984 | 218,914,593 | 201,287,003 |
| | 255,360,490 | 218,914,593 | 201,287,003 |

Weighted average shares outstanding used to compute diluted income (loss)
per share

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands, unaudited)

| | Three months ended March 31, | | February 9, 2000 (inception) to March 31, 2011 (development stage period) |
|------------------------------------|---|-------------|--|
| | 2011 | 2010 | |
| Net income (loss) | \$ 301,193 | \$ (4,645) | \$ (1,613,820) |
| Other comprehensive loss: | | | |
| Cumulative translation adjustments | (1,224) | (803) | (14,295) |
| Comprehensive income (loss) | \$ 299,969 | \$ (5,448) | \$ (1,628,115) |

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Condensed Consolidated Statements of Cash Flows****(In thousands, except share data, unaudited)**

| | Three months ended March 31, | | February 9, 2000 (inception) to March 31, 2011 (development stage period) |
|--|---|-------------|--|
| | 2011 | 2010 | |
| Operating activities: | | | |
| Net income (loss) | \$ 301,193 | \$ (4,645) | \$ (1,613,820) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | |
| Stock-based compensation | 1,754 | 327 | 50,067 |
| Depreciation | 22 | 32 | 4,652 |
| Non-cash interest expense | | | 54,638 |
| Non-cash settlement of litigation matter | | | 2,385 |
| Gain on deconsolidation of DBSD | | | (280,971) |
| Unrealized foreign exchange (gains) losses | (440) | 380 | (5,774) |
| Losses on disposal of assets | | | 11,117 |
| Impairment of property under construction | | | 1,438,304 |
| Gains associated with contract settlements | (4,735) | | (95,356) |
| Gain associated with disposition of assets | (300,886) | | (300,886) |
| Gain on Nextel share-pledge derivative | | | (9,168) |
| Deferred income tax credit | | | (122,031) |
| Realized losses on sales of investment securities | | | 7,779 |
| Unrealized losses on investment securities | | | 11,378 |
| Fair value adjustment for ARS Put Option | | | (4,442) |
| Amortization of capitalized Gateway Operator incentive | | | 2,593 |
| Cost of issuance of shares to distribution partners | | | 37,440 |
| Net gain on liquidation of subsidiaries | | | (3,319) |
| Other | (217) | 266 | 32,059 |
| Other changes in certain assets and liabilities: | | | |
| Prepaid expenses and other current/non-current assets | (52) | 175 | 46,524 |
| Accounts payable | 175 | 197 | 1,795 |
| Accrued interest payable | 860 | 1,346 | 92,643 |
| Other accrued expenses | (1,472) | (778) | 66,932 |
| Net cash used in operating activities | (3,798) | (2,700) | (575,461) |
| Investing activities: | | | |
| Proceeds from launch insurance | | | 225,000 |
| Debtor in possession advance in relation to Old ICO | | | (275,000) |
| Acquisition of net assets of Old ICO | | | (117,590) |
| Cash received from Old ICO at acquisition | | | 107,436 |
| Restricted cash | | | (5,074) |
| Purchases of satellite system under construction | | | (414,618) |
| Purchases of property under construction | | | (497,890) |
| Purchases of property in service | (23) | | (3,638) |
| Investments in unconsolidated subsidiaries | | | (6,221) |
| Payments to affiliates | (270) | (202) | (1,584) |
| Purchases of other assets | | | (14,000) |

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

| | | | |
|--|-----------|-----------|-------------|
| Purchases of investment securities | | | (4,404,343) |
| Maturities and sales of investment securities | | | 4,332,756 |
| Purchases of restricted investments | | | (94,283) |
| Maturities and sales of restricted investments | | | 94,305 |
| Proceeds from contract amendments | | | 44,434 |
| Proceeds from sale of assets | | | 12,106 |
| Proceeds associated with disposition of assets | 35,000 | | 35,000 |
| Net cash provided by (used in) investing activities | 34,707 | (202) | (983,204) |
| Financing activities: | | | |
| Proceeds from issuance of common stock | | | 625,353 |
| Proceeds from exercise of stock options | 48 | | 187 |
| Proceeds from issuance of convertible notes | | | 650,000 |
| Convertible notes debt issuance costs | | | (29,558) |
| Proceeds from working capital facility | | | 40,000 |
| Working capital facility debt issuance costs | | | (2,461) |
| Proceeds from sales of subsidiary stock and stock options | | | 9,920 |
| Proceeds from Rights Offering | | 30,009 | 30,009 |
| Rights Offering issuance costs | | (904) | (770) |
| Payment of withholding taxes from stock awards | (119) | (31) | (1,122) |
| Advances from affiliates | | | 324,395 |
| Repayment of advances from affiliates | | | (324,395) |
| Repayment of note payable to Eagle River | | | (37,500) |
| Repayment of operator financing | | | (5,727) |
| Proceeds from pledge of Nextel shares | | | 351,600 |
| Proceeds from loan from Teledesic LLC | | | 20,000 |
| Acquisition of ICO shares from minority interest stockholder | | | (30,868) |
| Net cash provided by (used in) financing activities | (71) | 29,074 | 1,619,063 |
| Effect of foreign exchange rate changes on cash | 251 | (258) | (8,538) |
| Net increase in cash and cash equivalents | 31,089 | 25,914 | 51,860 |
| Cash and cash equivalents beginning of period | 20,771 | 4,983 | |
| Cash and cash equivalents end of period | \$ 51,860 | \$ 30,897 | \$ 51,860 |

(continued)

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Condensed Consolidated Statements of Cash Flows (Continued)****(In thousands, except share data, unaudited)**

| | Three months ended March 31, | | February 9, 2000 (inception) to March 31, 2011 (development stage period) |
|---|------------------------------------|------|---|
| | 2011 | 2010 | |
| Supplemental disclosures: | | | |
| Income taxes paid | \$ | \$ | \$ 7,873 |
| Interest paid | | | 150,948 |
| Capitalized interest | | | 98,504 |
| Supplemental disclosures of non-cash activities: | | | |
| Issuance of Class A common shares in respect of investment in Ellipso, Inc. | | | 6,863 |
| Issuance of Class B common shares in respect of investment in Ellipso, Inc. | | | 74 |
| Issuance of Class A common shares in respect of investment in Constellation Communications Holdings, Inc. | | | 904 |
| Issuance of Class A common shares for settlement of litigation matter | | | 2,385 |
| Issuance of Class A common shares for advisory services | 125 | 125 | 2,653 |
| Issuance of Class A common shares for stock-based compensation | 391 | 26 | 4,377 |
| Payment in form of ARS as compensation for advisory services | | | 500 |
| Equipment acquired in capital lease agreements | | | 42,096 |
| Issuance of warrants for the repayment of debt | | | 4,950 |
| Interest payment on convertible debt in the form of additional notes | | | 86,276 |
| Investment in DBSD upon deconsolidation | | | 23,650 |
| Increase (decrease) in payable to affiliates | (279) | 252 | 2,328 |
| The following securities of ICO arose from the acquisition of Old ICO's net assets: | | | |
| 93,700,041 Class A common shares and options to acquire Class A common shares issued | | | 679,873 |
| 31,003,382 Class B common shares issued | | | 275,000 |
| 1,600,000 Class A common shares issued to distribution partners | | | 16,720 |
| 200,000 Class A common shares committed to distribution partners | | | 2,090 |
| 50,000,000 warrants issued to acquire Class A common shares | | | 180,000 |

(concluded)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements

(unaudited)

1. Organization and Business

Overview ICO Global Communications (Holdings) Limited (ICO Global) was established in 2000 as a development stage next-generation mobile satellite service (MSS) operator. These condensed consolidated financial statements include the accounts of ICO Global, a development stage enterprise, and its consolidated subsidiaries (collectively referred to as Company). Prior to May 15, 2009, the Company s consolidated subsidiaries included DBSD North America, Inc. (formerly ICO North America, Inc.), and its subsidiaries (collectively referred to as DBSD), which are developing a next-generation hybrid mobile satellite service/ancillary terrestrial component system covering the United States and Canada that combines satellite and terrestrial communications capabilities (MSS/ATC System). As further discussed below, DBSD and its subsidiaries filed voluntary petitions for bankruptcy and have been deconsolidated for financial accounting and reporting purposes.

In 2001, the Company successfully launched, and currently operates, one medium earth orbit (MEO) satellite (F2). The Company also owns ten additional MEO satellites in various stages of completion, related ground station equipment, and the right to use certain C-band radio frequencies globally and S-band frequencies outside of North America (collectively, MEO Assets). By late 2004, the Company had invested approximately \$2.6 billion, in the aggregate, into the MEO Assets. Following the Company s disagreements with its satellite manufacturer, Boeing Satellite Systems International, Inc. (BSSI) and the commencement of litigation in 2004 related to those disagreements (as summarized in Note 6), the Company has not advanced the development or deployment of the MEO Assets. On April 6, 2011, the Company agreed to sell to Jay & Jayendra (Pty) Ltd, a South African corporation (J&J Group) substantially all of its MEO Assets, including the Company s trademarks and trade names. Closing of the transaction is expected to occur following receipt of regulatory approvals and the satisfaction of certain other conditions (see Note 10). Due to the sale of the Company s trademarks to J&J Group, the Company will propose a change to its corporate name in the near future.

DBSD Chapter 11 Filing On May 15, 2009, DBSD filed for bankruptcy protection under Chapter 11 of Title 11 of the United States Bankruptcy Code (Chapter 11 Case) in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In order to exit the Chapter 11 Case successfully, DBSD is required to propose, and obtain from the Bankruptcy Court, confirmation of a plan of reorganization or liquidation that satisfies the requirements of the Bankruptcy Code. The Bankruptcy Court confirmed a plan of reorganization for DBSD on October 26, 2009, but the plan was not implemented because the U.S. Second Circuit Court of Appeals (Court of Appeals) rejected the plan on the grounds that the plan violated the Bankruptcy Code s absolute priority rule. The Court of Appeals issued its decision in December 2010, at which time it remanded the Chapter 11 Case to the District Court with instructions to remand to the Bankruptcy Court for further proceedings.

DBSD responded to the Court of Appeals rejection of DBSD s confirmed plan of reorganization by negotiating in February 2011 an investment agreement with DISH Network Corporation (DISH Network), pursuant to which DISH Network conditionally agreed to invest more than \$1 billion into the reorganized DBSD in exchange for 100% of the stock of the reorganized DBSD. Prior to obtaining Bankruptcy Court approval of the investment agreement, other parties expressed interest in acquiring DBSD, leading to an auction process that culminated in DISH Network increasing its offer to approximately \$1.4 billion. DISH Network s enhanced offer was memorialized in an amended and restated investment agreement that was approved by the Bankruptcy Court on March 15, 2011 and which is referred to in this document as the Amended Investment Agreement.

In connection with the signing and approval of the Amended Investment Agreement, the Company granted to DISH Network a contingent option to acquire the MEO Assets if the J&J Group does not complete its purchase of the MEO Assets (DISH Option). The DISH Option is part of a comprehensive implementation agreement, dated March 15, 2011 (Implementation Agreement), under which DISH Network agreed to pay the Company approximately \$325 million for the Company s support of DISH Network s plan of reorganization for DBSD, certain spectrum priority rights, the delivery of any distributions to the Company from DBSD, and the DISH Option (see Note 11).

Due to the Chapter 11 Case, ICO Global does not have control or significant influence over the operating decisions of DBSD, and is not expected to regain control or significant influence over DBSD. Therefore, the Company deconsolidated DBSD from its financial operating results effective May 15, 2009 and was accounting for its remaining investment in DBSD as a cost method investment. On March 15, 2011, the Company sold substantially all of its interests associated with its investment in DBSD to DISH Network. Accordingly, the Company no longer

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

carries a cost method investment in DBSD on its condensed consolidated balance sheet as of March 31, 2011. See Notes 3 and 4 for a discussion of the deconsolidation and ICO Global's accounting for its cost method investment in DBSD.

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

2. Development Stage Enterprise

The Company is a development stage enterprise as defined in Accounting Standards Codification (ASC) 915, *Development Stage Entities* (ASC 915), and will continue to be so unless and until it commences commercial operations. The development stage is from February 9, 2000 (inception) through March 31, 2011. The Company is not currently generating revenue from operations and it may not obtain funding necessary to fund its future working capital requirements or achieve positive cash flow from operations. The attainment of profitable operations is dependent upon future events, including obtaining adequate financing to complete development activities, and achieving a level of sales adequate to support the Company's cost structure.

On March 9, 2010, the Company completed a rights offering (Rights Offering) under which it received gross proceeds of approximately \$30 million.

On March 21, 2011 and April 26, 2011, the Company received proceeds of approximately \$35 million and \$280 million, respectively, from DISH Network pursuant to the terms of the Implementation Agreement between the parties. Refer to Note 11 for further discussion of the Implementation Agreement.

The proceeds from the Implementation Agreement, as well as the remaining proceeds from the Rights Offering, are expected to fund the Company's working capital needs for at least the next twelve months. The Company also intends to use these proceeds, and may incur debt, to acquire or invest in other businesses, products or technologies, which are unlikely to be related to its historical business activities.

3. Summary of Significant Accounting Policies

Interim Financial Statements The financial information included in the accompanying condensed consolidated financial statements is unaudited and includes all adjustments, consisting of normal recurring adjustments and accruals, considered necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain information and footnote disclosures have been condensed or omitted. The financial information as of December 31, 2010 is derived from the Company's audited consolidated financial statements and notes included in Item 8 in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (2010 Form 10-K), filed with the U.S. Securities and Exchange Commission (SEC) on March 22, 2011. The financial information included in this quarterly report should be read in conjunction with management's discussion and analysis of financial condition and results of operations and the consolidated financial statements and notes included in the 2010 Form 10-K. Operating results and cash flows for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2011 or any other interim period.

Use of Estimates The preparation of financial statements 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 revenues and expenses during the reporting period. As of March 31, 2011 and December 31, 2010, significant estimates were used when accounting for the Company's investment in DBSD, income taxes, contingencies, stock-based compensation awards and foreign currency transactions. Actual results could differ from those estimates. Estimates are evaluated on an ongoing basis.

Cash and Cash Equivalents Cash and cash equivalents are defined as short-term, highly liquid investments with original maturities from the date of purchase of 90 days or less. Cash and cash equivalents are comprised of the following (in thousands):

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

| | March 31, 2011 | December 31, 2010 |
|--------------------|-------------------|----------------------|
| Cash | \$ 35,015 | \$ 15,928 |
| Money market funds | 16,845 | 4,843 |
| | \$ 51,860 | \$ 20,771 |

As of March 31, 2011, cash and cash equivalents included in cash and money market funds above reflect the receipt of \$35 million from DISH Network pursuant to the terms of the Implementation Agreement as well as the remaining proceeds from the Rights Offering. The fair value of money market funds at March 31, 2011 and December 31, 2010 was classified as Level 1 under ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), as amounts were based on quoted prices available in active markets for identical investments as of the reporting date.

Receivable from DISH Network Associated with Disposition of Assets On March 15, 2011, the Company entered into an Implementation Agreement with DISH Network, under which DISH Network agreed to pay the Company approximately \$325 million for its support of DISH Network's plan of reorganization for DBSD, certain spectrum priority rights, the delivery of any distributions to the Company from DBSD, and the DISH Option (see Note 11). On March 21, 2011, the Company received a payment of \$35 million from DISH Network. This payment is the first of three anticipated payments from DISH Network pursuant to the

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Implementation Agreement. As of March 31, 2011, the Company recorded a receivable from DISH Network of approximately \$290 million associated with all remaining amounts due under the Implementation Agreement. On April 26, 2011, the Company received the second payment from DISH Network of approximately \$280 million pursuant to the terms of the Implementation Agreement, and will receive the final payment of \$10 million from DISH Network at the earlier of (i) five days after DBSD's emergence from its pending Chapter 11 bankruptcy proceeding, or (ii) five days after termination of the Amended Investment Agreement.

Prepaid Expenses and Other Current Assets As of March 31, 2011 and December 31, 2010, prepaid expenses and other current assets consist primarily of prepayments related to rent and security deposits associated with certain of the Company's leased facilities, prepaid satellite operating costs and prepaid director and officer's insurance.

Property in Service Property in service consists primarily of computer equipment, software, furniture and fixtures and leasehold improvements. Property in service is recorded at cost, net of accumulated depreciation, and is depreciated using the straight-line method. Computer equipment and furniture and fixtures are depreciated over their estimated useful lives ranging from three to five years. Software is depreciated over the shorter of its contractual license period or three years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the respective lease. Significant additions and improvements to property in service are capitalized. Repair and maintenance costs are expensed as incurred.

Other Assets As of March 31, 2011 and December 31, 2010, other assets consist primarily of long-term security deposits associated with the Company's leased facilities.

Impairment of Long-Lived Assets Pursuant to ASC 360, *Property, Plant and Equipment*, the carrying values of long-lived assets are reviewed whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Management considers whether specific events have occurred in determining whether long-lived assets are impaired at each balance sheet date or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The determination of whether impairment exists is based on any excess of the carrying value over the expected future cash flows. Any resulting impairment charge is measured based on the difference between the carrying value of the asset and its fair value, as estimated using undiscounted future cash flows expected to be generated by the assets. No impairment of long-lived assets was determined as a result of the Company's analysis as of March 31, 2011.

Investment in DBSD Under ASC 810, consolidation of a majority-owned subsidiary is precluded when control, either directly or indirectly, does not rest with the majority voting interest of an entity. Bankruptcy represents a condition which can preclude consolidation or equity method accounting as control rests with the Bankruptcy Court, rather than the majority owner. As described in Note 1, DBSD filed for bankruptcy protection on May 15, 2009. Accordingly, the Company deconsolidated DBSD as of that date, and excludes the results of DBSD's operations from the Company's operations beginning May 15, 2009. As the Company was not expected to maintain its majority ownership interest in DBSD under any plan of reorganization, nor was the Company expected to regain significant influence or control of DBSD under any plan of reorganization, the Company was accounting for its remaining investment in DBSD as a cost method investment, and determined the fair value of its investment in DBSD based on the guidance in ASC 820. See Note 4 for further discussion regarding the deconsolidation of DBSD, including calculation of the resulting gain upon deconsolidation.

On March 15, 2011, the Company sold substantially all of its interests associated with its investment in DBSD, as well as certain interests associated with other MEO assets, to DISH Network in exchange for approximately \$325 million. Accordingly, the Company no longer carries a cost method investment in DBSD on its condensed consolidated balance sheet as of March 31, 2011.

Fair Value of Financial Instruments As of March 31, 2011, the Company's financial instruments include its cash and cash equivalents, receivable from DISH Network associated with disposition of assets, accounts payable and certain other assets and liabilities. As of December 31, 2010, the Company's financial instruments include its cash and cash equivalents, investment in DBSD, accounts payable and certain other assets and liabilities. The Company determines the fair value of its financial instruments based on the hierarchy established by ASC

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

820. Refer to Note 4 for a discussion regarding the fair value of the Company's investment in DBSD. The carrying amounts of the Company's other financial instruments are reasonable estimates of their fair values because they are equivalent to cash or due to their short-term nature.

Accumulated Other Comprehensive Loss As of March 31, 2011 and December 31, 2010, the Company's accumulated other comprehensive loss consisted of cumulative translation adjustments of \$14.3 million and \$13.1 million, respectively.

Contract Settlements With respect to disputed contracts, the Company continues to record expenses according to its contractual obligation until such contract is terminated. Upon termination, and prior to settlement, the Company continues to accrue estimated late payment fees and interest expense, as applicable. Upon reaching settlement, whereby the other party's claims are legally released, the Company extinguishes its recorded liability, resulting in the recognition of a gain or loss on contract settlement.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

Stock-Based Compensation The Company records stock-based compensation in accordance with ASC 718, *Compensation Stock Compensation* (ASC 718). ASC 718 requires measurement of all share-based payment awards based on the estimated fair value on the date of grant and the recognition of compensation cost over the requisite service period for awards expected to vest.

The Company records stock-based compensation on stock options and restricted stock awards issued to employees, directors and consultants. The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model (Black-Scholes Model) based on the single option award approach. The fair value of restricted stock awards is determined based on the number of shares granted and the quoted market price of the Company's Class A common stock on the date of grant. The fair value of stock options is amortized to expense on a straight-line basis over the requisite service periods of the awards, which is generally the vesting period. The fair value of restricted stock awards with performance conditions deemed probable of being achieved and cliff vesting is amortized to expense over the requisite service period using the straight-line method of expense recognition. The fair value of restricted stock awards with performance conditions deemed probable of being achieved and graded vesting is amortized to expense over the requisite service period using the accelerated method of expense recognition. The fair value of share-based payment awards as determined by the Black-Scholes Model is affected by the Company's stock price as well as other assumptions. These assumptions include, but are not limited to, the expected stock price volatility over the term of the awards and actual and projected employee stock option exercise behaviors. ASC 718 requires forfeitures to be estimated at the date of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Foreign Currency Translation and Foreign Currency Transactions The reporting currency for the Company's operations is U.S. dollars. The Company translates the activities of its subsidiaries with functional currencies other than the U.S. dollar at the average exchange rate prevailing during the period. Assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Translation adjustments resulting from these processes are recognized as a component of accumulated other comprehensive income (loss). The Company recognizes applicable cumulative translation adjustments as a component of other operating income (loss) in the period in which a subsidiary is substantially liquidated. For the three months ended March 31, 2011 and 2010, there were no gains or losses resulting from the liquidation of subsidiaries.

Gains and losses on foreign currency transactions are recognized as a component of other income (expense) in the condensed consolidated statements of operations in the period in which they occur. For the three months ended March 31, 2011 and 2010, gains (losses) on intercompany foreign currency transactions of \$3.3 million and \$(360,000), respectively, have been excluded from net loss and reported as a component of accumulated other comprehensive loss due to their long-term investment nature.

Income (Loss) Per Share Basic income (loss) per share is calculated based on the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing loss allocable to common shareholders by the weighted average common shares outstanding plus dilutive potential common stock. Dilutive potential common stock includes unvested restricted stock awards, stock options and warrants, the dilutive effect of which is calculated using the treasury stock method. Prior to the satisfaction of vesting conditions, unvested restricted stock awards are considered contingently issuable consistent with ASC 260, *Earnings per Share*, and are excluded from weighted average common shares outstanding.

The following table sets forth the computation of basic and diluted income (loss) per share (in thousands, except share and per share data):

| | Three months ended March 31, | |
|-------------------|---------------------------------|------------|
| | 2011 | 2010 |
| Net income (loss) | \$ 301,193 | \$ (4,645) |

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

| | | |
|---|-------------|-------------|
| Weighted average common shares outstanding | 253,789,222 | 220,020,343 |
| Less: weighted average unvested restricted stock awards | (1,829,239) | (1,105,750) |
| Shares used for computation of basic income (loss) per share | 251,959,983 | 218,914,593 |
| Add back: weighted average unvested restricted stock awards | 1,829,239 | |
| Add back: dilutive stock option awards | 1,571,268 | |
| Shares used for computation of diluted income (loss) per share(1) | 255,360,490 | 218,914,593 |
| Basic income (loss) per share | \$ 1.20 | \$ (0.02) |
| Diluted income (loss) per share | \$ 1.18 | \$ (0.02) |

- (1) The effect of certain stock options and warrants was anti-dilutive, and they were not included in the calculation of diluted income (loss) per share. As of March 31, 2011 and 2010, anti-dilutive stock options and warrants totaled 12,132,110 and 18,544,463, respectively.

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

4. Deconsolidation of DBSD

On May 15, 2009, DBSD filed its Chapter 11 Case. As described in Note 1, due to the Company's loss of control of DBSD as a result of the Chapter 11 Case, the Company deconsolidated DBSD as of May 15, 2009, and the Company accounts for its investment in DBSD as a cost method investment. Accordingly, the Company excludes the results of DBSD's operations from the Company's operations beginning May 15, 2009.

In accordance with ASC 810, the Company recognized a gain of \$281.4 million upon the deconsolidation of DBSD as described in Notes 1 and 3. This gain was determined based upon the fair value of the Company's anticipated retained cost method investment in DBSD as of May 15, 2009 (\$23.7 million) as described further below, less the carrying value of DBSD's net assets as of May 15, 2009 (net deficit of \$257.7 million).

In March 2011, the Company reached an agreement with DISH Network whereby the Company agreed to sell its equity interest in DBSD together with certain other assets, and enter into various agreements with DISH Network in exchange for the payment of approximately \$325 million (see Note 11). On March 21, 2011 and April 26, 2011, the Company received proceeds of approximately \$35 million and \$280 million, respectively, from DISH Network pursuant to the terms of the Implementation Agreement between the parties, and the Company expects to receive the remaining \$10 million from DISH Network upon DBSD's emergence from its pending Chapter 11 bankruptcy proceeding. As the Company sold substantially all of its interests associated with its investment in DBSD to DISH Network in March 2011, the Company no longer carries a cost method investment in DBSD on its condensed consolidated balance sheet as of March 31, 2011.

As of December 31, 2010, one of the valuation techniques utilized by the Company to determine the fair value of its cost method investment in DBSD was a spectrum transaction analysis, which was based upon the value of relevant spectrum auctions and transactions and evaluated the range of transaction prices/MHz POP paid in recent spectrum auctions and transactions. This provided a range of fair values for DBSD's spectrum asset, which was considered against the range of potential amounts to be paid to DBSD's creditors. Additionally, in connection with the DBSD bankruptcy proceedings, the Company engaged in negotiations with third parties interested in obtaining the Company's equity interest in DBSD, which culminated in the Company reaching an agreement with DISH Network in March 2011 as described above. The proposals and offers resulting from the negotiations provided another basis of an analysis for the Company's determination of the fair value of DBSD as of December 31, 2010. As the estimated value of the consideration the Company expected to receive from DISH Network for its equity interest in DBSD was within the range of fair values indicated by the spectrum analysis, the estimated fair value of the Company's investment in DBSD as of December 31, 2010 was ultimately determined to be \$290 million. As the Company's determination of the fair value of its investment in DBSD at December 31, 2010 was based primarily on observable inputs, this investment was classified as Level 2 under ASC 820.

5. Gateway Agreements and Contract Settlements

As part of the ground infrastructure for its MEO satellite system, the Company established gateway sites in eleven countries throughout the world. Prior to 2000, the Company entered into agreements with certain vendors (Gateway Operators) that own and operate ten of the Company's eleven gateway sites. One gateway site is owned by the Company. All of the agreements provided for varying levels of support required to operate the gateway sites (Gateway Operating Agreements). Additionally, certain of the agreements required the repayment of certain up-front infrastructure costs incurred on the Company's behalf (Gateway Infrastructure Agreements) that represent capital leases payable with initial interest rates ranging from 8.5% to 20%.

Over the past several years, the Company has suspended further construction on its MEO satellite system which has increased the likelihood that many of these gateway sites will not be utilized. As a result, nine of the ten Gateway Operators have terminated their Gateway Operating Agreements with the Company and discontinued the provision of services. Certain of the terminated agreements were settled in exchange for nominal consideration, including cash and the transfer of certain gateway assets. Certain of the terminated agreements have not been settled.

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

Subsequent to the date of termination of the Gateway Operating Agreements, the Company has continued to accrue estimated late payment fees, if applicable, and the interest expense on the capital leases in effect pursuant to the Gateway Infrastructure Agreements. Upon reaching settlement with any Gateway Operator that includes the legal release of the Gateway Operator's claims, the Company writes off the liability, resulting in the recognition of a gain on contract settlement.

In March 2011, the Company agreed to purchase a claim held by Deutsche Telekom AG (DT), its German Gateway Operator, against one of its subsidiaries. Accordingly, the Company reduced its estimated gateway liability by approximately \$4.7 million as of March 31, 2011, and recorded a gain associated with contract settlement of \$4.7 million in its condensed consolidated statement of operations during the first quarter of 2011. Refer to Note 6 for further discussion of the agreement with DT.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

The following table sets forth a summary of the transactions with the Company's various Gateway Operators (in thousands):

| | Three months ended | |
|---|---------------------------|------------------|
| | March 31, | |
| | 2011 | 2010 |
| Total gateway liability, beginning of period | \$ 50,448 | \$ 58,465 |
| Expense recognized under Gateway Operating Agreements | 268 | 343 |
| Interest expense related to Gateway Infrastructure Agreements | 1,066 | 1,059 |
| Payments made to Gateway Operators | (75) | (213) |
| Gain associated with Gateway contract settlement | (4,735) | |
| Effect of changes in foreign currency exchange rates | 368 | 539 |
| Total gateway liability, end of period | \$ 47,340 | \$ 60,193 |

The following table summarizes the Company's total gateway liability with its Gateway Operators and is included in the following line items on the condensed consolidated balance sheets (in thousands):

| | March 31, | December 31, |
|--|------------------|---------------------|
| | 2011 | 2010 |
| Accrued expenses | \$ 7,204 | \$ 11,741 |
| Accrued interest | 25,081 | 23,759 |
| Current portion of capital lease obligations | 15,055 | 14,948 |
| Total gateway liability | \$ 47,340 | \$ 50,448 |

6. Commitments and Contingencies

Satellite System Operating Commitments The Company has an agreement with Intelsat, Ltd. (Intelsat) to provide satellite operational services to support the telemetry, tracking and control (TT&C) system of F2. Under this agreement, the Company is obligated to pay Intelsat a recurring, monthly fee associated with TT&C and other satellite support services. In addition to this agreement, the Company has commitments for operational services related to its MEO satellite system. As of March 31, 2011, the Company had satellite system operating commitments of approximately \$2.4 million related to its MEO satellite system, of which \$2.0 million is payable in 2011 and \$360,000 is payable in 2012.

Lease and Operating Commitments Under the Gateway Infrastructure Agreements, the Company is required to repay certain up-front capital asset costs incurred by the Gateway Operators in establishing the initial infrastructure for the gateways. The Company continues to have lease commitments under certain of these Gateway Infrastructure Agreements (see Note 5), but the Company is not fulfilling these commitments.

The Company leases office space, a storage facility for its incomplete and unlaunched MEO satellites and certain support equipment under rental agreements accounted for as operating leases. Total rental expense under operating leases for the three months ended March 31, 2011 and 2010 was approximately \$166,000 and \$178,000, respectively, and is included in general and administrative expenses on the Company's condensed consolidated statements of operations. Rental expense under operating leases is reflected net of related party expenses allocated between the

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

Company and DBSD under a shared services arrangement.

Litigation In the opinion of management, except for those matters described below and elsewhere in this quarterly report, to the extent so described, litigation, contingent liabilities and claims against the Company in the normal course of business are not expected to involve any judgments or settlements that would be materially adverse to the Company's financial condition, results of operations or cash flows.

BSSI Litigation In February 2009, after more than four years of litigation, the Company obtained a judgment against BSSI and The Boeing Company (Boeing) for approximately \$603.2 million, consisting of \$370.6 million of compensatory damages against BSSI and Boeing for breach of contract, fraud, negligent misrepresentation and tortious interference with contract; \$29.6 million against BSSI for punitive damages; \$177.0 million against Boeing for punitive damages; and \$26.0 million in pre-judgment interest. Beginning January 2, 2009, post-judgment interest began to accrue on the full judgment amount at the rate of 10% per annum (simple interest).

On March 6, 2009, BSSI and Boeing appealed the trial court judgment to the California Court of Appeals. In order to stay enforcement of the judgment, Boeing posted a bond in the approximate amount of \$904.0 million. In response, the Company cross-appealed the trial court's decision to overturn the jury's award of additional compensatory and punitive damages on its satellite pricing fraud claim against BSSI. Boeing filed its opening brief in the appellate proceedings on October 27, 2009. The Company filed its response brief and opening cross-appeal brief on March 22, 2010. BSSI and Boeing filed their reply to the Company's brief and their

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

response to the Company's cross-appeal on August 10, 2010. The Company then filed its reply brief on the cross-appeal on October 29, 2010. Oral argument is anticipated to be scheduled in the third quarter of 2011, with a written decision expected to be issued by the appellate court within 90 days thereafter. The Company cannot predict the outcome of the appeal process.

Through March 31, 2011, the Company has incurred costs of approximately \$20.7 million to prosecute and defend the BSSI Litigation, and will incur additional consulting and legal fees to complete the appeal process. If and when the trial court judgment is affirmed and non-appealable, the Company will be obligated to pay its trial lawyers an additional fee equal to 3% of any recovery up to \$250.0 million, and 5% of any recovery in excess of \$250.0 million, less certain costs and fees advanced to them by the Company during the course of the BSSI Litigation.

Sprint Broadcast Auxiliary Service (BAS) Relocation Claim On December 13, 2010, Sprint filed a lawsuit against the Company in federal court in the Eastern District of Virginia (Sprint Lawsuit) to recover approximately \$104 million of alleged costs incurred by Sprint to relocate users from a portion of the S-band (Spectrum Clearing Costs). The Sprint Lawsuit is the outgrowth of Sprint's extensive lobbying to the Federal Communications Commission (FCC) during the summer of 2010, when Sprint sought to obtain from the FCC a proclamation that ICO Global is obligated to reimburse Sprint for DBSD's share of Spectrum Clearing Costs. The FCC declined to issue such a proclamation, but instead issued an order and declaratory ruling (BAS Relocation Ruling) on September 29, 2010, in which the FCC described circumstances under which affiliates of an FCC licensee may be liable for Spectrum Clearing Costs. On October 12, 2010, the Company appealed the BAS Relocation Ruling to the federal district court in Washington, D.C., but Sprint nonetheless filed the Sprint Lawsuit against the Company, premised on the argument that the BAS Relocation Ruling renders ICO Global responsible for DBSD's share of Spectrum Clearing Costs.

On February 3, 2011, the Company filed a motion to stay the Sprint Lawsuit pending resolution of its appeal of the BAS Relocation Ruling. On February 11, 2011, the court granted the Company's motion, which will suspend the Sprint Lawsuit until the Company's appeal of the BAS Relocation Ruling is resolved by the federal district court in Washington, D.C. Meanwhile, in March 2011, the Company entered into the Implementation Agreement with DISH Network, under which DISH Network agreed to indemnify the Company from all claims against and expenses incurred in connection with Sprint's pursuit of Spectrum Clearing Costs (BAS Indemnity). In light of the BAS Indemnity, the Company does not anticipate significant additional costs or damages from the Sprint Lawsuit. Rather, the Company will cooperate with DISH Network to determine whether to continue to challenge the BAS Relocation Ruling and the Sprint Lawsuit. We cannot predict the outcome of our appeal of the BAS Relocation Ruling or the outcome of the Sprint Lawsuit.

Dismissal of involuntary bankruptcy proceedings against IHB IHB is the Company's indirect Netherlands subsidiary that was primarily responsible for coordinating and facilitating its MEO gateway development. IHB procured funding for its gateway subsidiaries, and coordinated such subsidiaries' development of their respective gateways. In the development process, IHB and its subsidiaries incurred significant obligations to Gateway Operators, including DT. In March 2011, the Company agreed to purchase DT's claim against IHB. Following the purchase of DT's claim in April 2011, the Company voluntarily dismissed the involuntary bankruptcy petition previously filed by DT against IHB in the Netherlands courts.

7. Stockholders' Equity (Deficiency) in Assets

Stock-Based Compensation The Company records stock-based compensation on stock options and restricted stock awards issued to employees, directors and consultants in accordance with ASC 718, which requires measurement of all share-based payment awards based on the estimated fair value on the date of grant, and recognition of compensation cost over the requisite service period for awards expected to vest. The Company estimates its forfeiture rate for stock options and restricted stock awards based on the Company's historical rate of forfeitures due to terminations and expectations for forfeitures in the future.

As discussed in Note 1, DBSD filed for bankruptcy protection on May 15, 2009 and accordingly, the Company deconsolidated DBSD as of that date. The deconsolidation of DBSD resulted in a change in grantee status from employee to nonemployee, for purposes of ASC 718, for a significant number of the Company's previously granted stock options and restricted stock awards issued to individuals who serve as employees,

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

directors and consultants for DBSD. As a result, the fair value of unvested stock options and restricted stock awards granted to these individuals was remeasured upon the deconsolidation. Individuals who serve as employees and consultants for DBSD continue to provide substantially the same level of service for the Company as prior to deconsolidation, many of which are primarily engaged in DBSD activities. As the Company accounted for its remaining investment in DBSD as a cost method investment, such activities cannot be considered to substantially benefit the Company, and thus the Company immediately expensed \$1.4 million in the second quarter of 2009, the remeasured fair value of unvested stock options and restricted stock awards granted to individuals who serve as employees, directors and consultants for DBSD. Further, these awards will be remeasured and incrementally expensed by the Company, as necessary, on a quarterly basis until the awards' requisite service periods are completed.

For the three months ended March 31, 2011 and 2010, the Company recognized non-cash stock-based compensation expense of \$1.8 million and \$327,000, respectively. Stock-based compensation expense is included in general and administrative expenses on the Company's condensed consolidated statements of operations.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

Stock Options The Company has granted stock options to employees, directors and consultants in connection with their service to the Company and DBSD. For the three months ended March 31, 2011 and 2010, the Company recognized non-cash stock-based compensation expense of \$1.6 million and \$270,000, respectively, related to its stock options.

The weighted average fair value of stock options granted during the three months ended March 31, 2011 and 2010 was estimated using the Black-Scholes Model with the following assumptions:

| | Three months ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2011 | 2010 |
| Weighted average expected volatility | 114% | 121% |
| Weighted average risk-free interest rate | 2.9% | 3.1% |
| Expected dividend yield | 0% | 0% |
| Weighted average expected term in years | 6.3 | 6.3 |
| Weighted average estimated fair value per option granted | \$ 1.66 | \$ 1.02 |

The expected volatility is based upon the Company's historical stock price volatility, which the Company believes is a reasonable indicator of expected volatility. The risk-free interest rate is based upon U.S. Treasury bond interest rates appropriate for the term of the Company's employee stock options. The expected dividend yield is based on the Company's history and expectation of dividend payments. The expected term has been estimated using the simplified method as described in ASC 718 which permit entities, under certain circumstances, to continue to use the simplified method in developing estimates of the expected term of plain-vanilla share options beyond December 31, 2007. The Company has not had sufficient stock option exercises to provide a reasonable basis upon which to estimate the expected term of its stock options.

In February 2010, the Company granted Benjamin G. Wolff, its Chairman, Chief Executive Officer and President, options to purchase 2,000,000 shares of its Class A common stock in connection with Mr. Wolff's appointment as the Company's Chief Executive Officer.

In March 2011, the Company granted R. Gerard Salemmé options to purchase 400,000 shares of its Class A common stock in connection with Mr. Salemmé's appointment as Chief Strategy Officer of the Company.

The Company's stock option activity for the three months ended March 31, 2011 is summarized as follows:

| | Number of | Weighted |
|-------------------------------|------------------|-----------------------|
| | options | average |
| | | exercise price |
| Outstanding December 31, 2010 | 14,704,073 | \$ 3.68 |
| Granted | 400,000 | \$ 1.93 |
| Exercised | (80,000) | \$ 1.08 |
| Forfeited | (1,613,573) | \$ 5.98 |
| Outstanding March 31, 2011 | 13,410,500 | \$ 3.37 |
| Exercisable March 31, 2011 | 9,592,625 | \$ 4.05 |

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

| | | | |
|--|------------|----|------|
| Vested and expected to vest March 31, 2011 | 15,184,665 | \$ | 4.06 |
|--|------------|----|------|

Restricted Stock Awards The Company has granted restricted stock awards to employees and consultants in connection with their service to the Company and DBSD. For the three months ended March 31, 2011 and 2010, the Company recognized non-cash stock-based compensation expense of \$186,000 and \$57,000, respectively, related to its restricted stock awards.

In the fourth quarter of 2007, the Company granted 580,000 shares of restricted Class A common stock to certain employees and consultants. The restricted stock awards contain performance and service conditions to encourage the attainment of key performance targets and retention of employees and consultants. Individual employees and consultants have different amounts of restricted stock awards allocated to the various performance conditions dependent on their responsibilities. The portion of restricted stock awards allocated to a particular performance condition vest 50% when that condition is achieved. After the performance condition is achieved, 25% of shares allocated to that condition vest one year after the performance condition is achieved and the remaining 25% of shares allocated to that condition vest two years after the performance condition is achieved. The total compensation cost associated with these restricted stock awards has been charged to expense over the requisite service periods. As of March 31, 2011, these restricted stock awards are fully vested and a total of 516,829 shares have vested upon satisfaction of the respective performance and service conditions.

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)**

In December 2008, the Company granted 100,000 shares of its restricted Class A common stock to certain employees. These restricted stock awards had a grant date fair value of \$108,000 and were charged to expense over the requisite service period ending January 31, 2009. The Company did not grant any restricted stock awards to its employees or consultants in 2009.

In February 2010, the Company granted 2,000,000 shares of its restricted Class A common stock to Mr. Wolff, of which 50% will vest based upon achievement of certain performance objectives established by the Company's Compensation Committee (25% in connection with resolution of the BSSI Litigation and 25% in connection with securing financing or consummating a transaction that enables the Company to use some or all of its net operating loss carry forwards (NOLs)), subject to an affirmative determination by the Board of Directors that the objectives have been met. These performance-based restricted stock awards had a fair value on the date of grant of \$1.2 million. Compensation expense associated with these stock awards is charged to expense over the longest requisite service period upon determination of the probability of the conditions being met. The remaining 50% of the restricted shares are service-based awards and lapse in four equal annual installments. These service-based restricted stock awards had a fair value on the date of grant of \$1.2 million and the compensation expense associated with these stock awards is being charged to expense over the requisite service period ending January 1, 2014.

In March 2011, the Company granted 250,000 shares of its restricted Class A common stock to Mr. Salemme in connection with his appointment as Chief Strategy Officer of the Company. These restricted stock awards had a grant date fair value of \$483,000 and are being charged to expense over the requisite service period ending March 4, 2015.

The Company's restricted stock award activity for the three months ended March 31, 2011 is summarized as follows:

| | Number of restricted stock awards | Weighted average fair value |
|----------------------------|--|--|
| Unvested December 31, 2010 | 2,008,768 | \$ 1.17 |
| Granted | 250,000 | \$ 1.93 |
| Vested | (258,768) | \$ 1.27 |
| Unvested March 31, 2011 | 2,000,000 | \$ 1.26 |

Tax Benefits Preservation Plan In connection with the adoption of the Tax Benefits Preservation Plan (Tax Benefits Plan) as discussed in Note 8, the Board of Directors authorized and declared a dividend of one Class A Right for each outstanding share of its Class A common stock and one Class B Right for each outstanding share of its Class B common stock outstanding at the close of business on February 8, 2010, the record date (collectively referred to herein as Rights). Upon the occurrence of certain events, each Class A Right entitles the registered holder to purchase from the Company one one-thousandth of a share (Unit) of its Series A Junior Participating Preferred Stock, par value \$0.01 per share (Series A Preferred) and each Class B Right entitles the registered holder to purchase from the Company one Unit of its Series B Junior Participating Preferred Stock, par value \$0.01 per share (Series B Preferred) in each case at a purchase price of \$12.40 per Unit, subject to adjustment. The Rights will not be exercisable until the earlier of (i) ten business days after a public announcement that a person or group (an Acquiring Person) has acquired beneficial ownership of 4.9% or more of the Company's then-outstanding securities without the approval of the Board of Directors (or such earlier date as the Board of Directors determines that a person or group has become an Acquiring Person) and (ii) ten business days after the commencement of a tender or exchange offer by a person or group for 4.9% of the Company's securities (or such later date as determined by the Board of Directors). The Rights will expire on the earliest of: (i) January 29, 2020, (ii) the time at which the Rights are redeemed or exchanged pursuant to the Tax Benefits Plan, or (iii) the repeal of Section 382 of the Internal Revenue Code (Section 382) or any successor statute if the Board of Directors determines that the Tax Benefits Plan is no longer necessary for the preservation of certain tax benefits, including NOLs. After any person becomes an Acquiring Person, subject to terms and conditions of the Tax Benefits Plan, each holder

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

of a Right, other than Rights beneficially owned by the Acquiring Person, will have the right to receive upon exercise of a Right and payment of the purchase price, that number of Units of Series A Preferred or shares of Class A common stock or Units of Series B Preferred or shares of Class B common stock, or cash, property, or other securities of the Company, subject to discretion by the Board of Directors, having a market value of two times the purchase price.

The exercise of the Rights was deemed not probable and no liability was provided for at the filing date of these financial statements.

8. Income Taxes

As discussed in Note 1 and Note 4, on May 15, 2009, the Company ceased to have control of DBSD and accordingly, the Company deconsolidated DBSD as of that date. Under ASC 810, when control of a subsidiary is lost, the parent derecognizes all of the assets and liabilities of the subsidiary, including deferred tax assets and liabilities. For U.S. federal tax purposes, however, the Company and DBSD will continue to be treated as an affiliated group of companies subject to consolidation until a plan of reorganization has been consummated.

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

As a result of the agreements the Company entered into with DISH Network on March 15, 2011 (see Note 10), the Company has recognized a gain on the disposition of its DBSD interest. The Company believes that all, or substantially all, of the gain or income resulting from the payments from DISH Network will be offset by its NOLs, resulting in little, if any, income tax liability.

The Company has considered all available evidence, both positive and negative, and ongoing prudent and feasible tax planning strategies to determine that, based on the weight of that evidence, a valuation allowance is needed to reduce the value of deferred tax assets to an amount that is more likely than not to be realized. The income tax benefit for the three months ended March 31, 2011 and 2010 is primarily due to expiration of the statute of limitations associated with previously recorded uncertain tax positions, including interest and penalties.

No deferred U.S. federal income taxes have been provided for the basis difference in the Company's foreign subsidiaries. The Company no longer elects to reinvest its foreign earnings indefinitely, but it is not practical to determine the amount of the additional tax that may be payable in the event earnings, if any, are repatriated.

Tax Benefits Preservation Plan Effective January 29, 2010, the Board of Directors adopted the Tax Benefits Plan. The Tax Benefits Plan is designed to avoid an ownership change, and to thereby preserve for the Company and its stockholders the value of the NOLs. In connection with the Tax Benefits Plan, a dividend of Class A Rights and Class B Rights, described more fully below, was payable to the Company's stockholders of record at the close of business on February 8, 2010.

The Board of Directors adopted the Tax Benefits Plan in an effort to help the Company preserve its ability to utilize fully its NOLs, to preserve potential future NOLs, and to thereby reduce potential future federal income tax obligations. As of March 31, 2011, the Company has existing NOLs of approximately \$10 million. The Company may generate substantially larger NOLs when the Company sells or otherwise disposes of its MEO satellite assets. Under the Internal Revenue Code and related Treasury Regulations, the Company may carry forward these NOLs in certain circumstances to offset current and future income and thus reduce its federal income tax liability, subject to certain restrictions. To the extent that the NOLs do not otherwise become limited, the Company believes that it will be able to carry forward a significant amount of NOLs, and therefore the NOLs could be a substantial asset for the Company. However, if the Company experiences an ownership change, as defined in Section 382, the timing of usage and its ability to use the NOLs could be significantly limited.

The Tax Benefits Plan is intended to act as a deterrent to any person or group acquiring, without the approval of the Company's Board of Directors, beneficial ownership of 4.9% or more of the Company's securities, defined to include: (i) shares of its Class A common stock and Class B common stock, (ii) shares of its preferred stock, (iii) warrants, rights, or options to purchase its securities, and (iv) any interest that would be treated as stock of the Company for purposes of Section 382 or pursuant to Treasury Regulation § 1.382-2T(f)(18).

Holders of 4.9% or more of the Company's securities outstanding as of the close of business on January 29, 2010 will not trigger the Tax Benefits Plan so long as they do not (i) acquire additional securities constituting one-half of one percent (0.5%) or more of the Company's securities outstanding as of the date of the Tax Benefits Plan (as adjusted), or (ii) fall under 4.9% ownership of the Company's securities and then re-acquire 4.9% or more of the Company's securities (as adjusted).

9. Related Parties

The Company considers its related parties to be DBSD as well as its principal shareholders and their affiliates.

DBSD As of March 31, 2011 and December 31, 2010, the Company had net payables to affiliates of \$743,000 and \$1.3 million, respectively, related to transactions arising with DBSD, including allocated employment-related costs and occupancy-related costs, and reimbursement of payments made to the Company by DBSD for their respective share of stock awards that ultimately failed to vest.

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

Eagle River Satellite Holdings, LLC (ERSH), Eagle River Investments, Eagle River, Inc. and Eagle River Partners, LLC (ERP) ERSH, Eagle River Investments, Eagle River, Inc. and ERP (collectively, Eagle River) is the Company s controlling stockholder with an economic interest of approximately 33.6% and a voting interest of approximately 65.7% as of March 31, 2011. In addition, Eagle River Investments holds warrants exercisable through December 12, 2012 to purchase an aggregate of three million shares of our Class A common stock at an exercise price of \$0.01 per share.

The Company has an agreement with Eagle River, Inc. to provide advisory services to the Company. This agreement requires (i) payment of an annual fee of \$500,000 in quarterly installments in stock or cash, at the Company s option, and (ii) reimbursement of out-of-pocket expenses. The Company has elected to make all quarterly payments in Class A common stock. During the three months ended March 31, 2011, the Company issued 59,808 shares to Eagle River, Inc. as compensation for advisory services. As of March 31, 2011, the Company has issued a total of 1,889,603 shares as consideration. As of March 31, 2011 and December 31, 2010,

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

the Company owed Eagle River, Inc. approximately \$42,000 and \$69,000, respectively, pursuant to the advisory services agreement, which was included in accrued expenses on the Company's condensed consolidated balance sheets.

Effective December 15, 2010, the Company subleases from Eagle River, Inc. the office space for the Company's headquarters in Kirkland, Washington. The sublease is a pass-through agreement, pursuant to which the Company pays rent to Eagle River, Inc. and reimburses costs and expenses to Eagle River, Inc. that Eagle River, Inc. pays to its third-party landlord. The sublease expires contemporaneously with the expiration of the underlying prime lease in July 2012. Total payments made to Eagle River, Inc. under this agreement were \$92,000 for the three months ended March 31, 2011. During the three months ended March 31, 2011, the Company also paid \$57,000 to Eagle River, Inc. for the purchase of certain office furniture and equipment in the sub-leased space.

In March 2010, Eagle River purchased an additional 18,336,985 shares of the Company's Class A common stock under the Rights Offering.

Benjamin G. Wolff, the Company's Chairman, Chief Executive Officer and President, is the President of Eagle River, Inc., and is compensated by both the Company and Eagle River.

10. J&J Group Agreement

On April 6, 2011, the Company entered into an agreement to sell its MEO Assets to the J&J Group. Closing of the purchase of MEO Assets by J&J Group is conditioned upon certain regulatory approvals and cooperation from various governmental agencies. Upon the closing or termination of the sale of MEO Assets, J&J Group will reimburse the Company for ongoing operating expenses incurred since January 14, 2011 which are directly related to the MEO Assets.

11. DISH Agreement

On March 15, 2011, the Company entered into an Implementation Agreement with DISH Network, under which DISH Network agreed to pay the Company approximately \$325 million for its support of DISH Network's plan of reorganization for DBSD, certain spectrum priority rights, the delivery of any distributions to the Company from DBSD, and the DISH Option, all as more thoroughly described below. The Bankruptcy Court also approved the Amended Investment Agreement between DISH Network and DBSD on March 15, 2011.

Pursuant to the terms of the Implementation Agreement, the Company agreed to (i) sell to DISH Network the Company's priority spectrum rights vis-à-vis DBSD's G1 satellite, (ii) provide DISH Network with a contingent call right on the Company's equity interest in DBSD, exercisable in certain circumstances, subject to certain conditions, including regulatory approvals; (iii) pay over to DISH Network any distributions from DBSD or other benefits received by the Company in connection with a reorganization of DBSD; and (iv) grant DISH Network the DISH Option. In exchange for these rights and for rights provided to DISH Network under a Restructuring Support Agreement with DISH Network, dated March 15, 2011, DISH Network will pay the Company an aggregate of approximately \$325 million, (i) \$35 million of which was paid on March 23, 2011 (the Implementation Date), (ii) approximately \$280 million of which was paid on April 26, 2011, and (iii) \$10 million of which is payable at the earlier of (a) five days after DBSD's emergence from its pending Chapter 11 bankruptcy proceeding, or (b) five days after termination of the Amended Investment Agreement. In addition to these payments, DISH Network also provided to the Company the BAS Indemnity. DISH Network's payment obligations under the Implementation Agreement and the BAS Indemnity are not subject to any further court action or approvals.

The Company recognized a gain of approximately \$301 million in the first quarter of 2011 associated with the disposition of its cost method investment in DBSD and other assets as a result of the agreements described above.

Table of Contents

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

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and accompanying notes included elsewhere in this quarterly report and the audited consolidated financial statements and notes included in our 2010 Form 10-K.

Special Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in this management's discussion and analysis are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Factors that might cause or contribute to such a difference include, but are not limited to, those discussed under Risks and Uncertainties below and elsewhere in this quarterly report. The forward-looking statements included in this document are made only as of the date of this report, and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Overview

We were formed in 2000 as a development stage next-generation MSS operator. We have one MEO satellite in orbit, F2, and have ten additional MEO satellites in various stages of completion. Prior to the commencement of the BSSI Litigation in 2004, we had invested approximately \$2.6 billion into our MEO satellite system. By the end of 2004, with the BSSI Litigation underway, we suspended any further development or construction of our MEO satellites and adjusted to zero the value of our MEO Assets. Since that time, we have conducted an extensive review of potential opportunities to deploy or divest the MEO Assets. Deployment or divestiture has been complicated by the fact that assistance is likely needed from BSSI to complete the satellites that we have in storage, and further challenged by the ongoing attempts by various regulatory agencies to terminate certain international spectrum rights previously allocated to us.

In light of these challenges, on April 6, 2011, we agreed to sell the MEO Assets to J&J Group. The closing of J&J Group's acquisition of the MEO Assets is conditioned upon certain regulatory approvals and cooperation from various governmental agencies, as discussed below.

As part of our Implementation Agreement with DISH Network, we granted to DISH Network the DISH Option, which is a contingent back-up option to acquire the MEO Assets in the event the sale of the MEO Assets to J&J Group does not close as anticipated. The DISH Option is part of a comprehensive package of consideration that we agreed to provide to DISH Network in exchange for approximately \$325 million, of which DISH Network has paid us approximately \$315 million as April 26, 2011.

If closing of the J&J Group transaction fails to occur by November 1, 2011, and DISH Network does not exercise its option to purchase the MEO Assets within 10 days thereafter, we expect to decommission F2 and complete the process of disposing of our other remaining MEO Assets.

Consistent with the terms of our agreements with J&J Group and DISH Network, DBSD will receive from us the benefit of certain spectrum priority rights over parts of North America (Priority Rights) and coordination commitments related to S-band frequencies in North America, so long as the ICO-P filing is recorded in the ITU Master Registry. The Priority Rights are more fully described in the license agreement that we signed as part of the Implementation Agreement with DISH Network, and include a continuing obligation to coordinate the operation of our MEO system with DBSD's operation of its GEO satellite system.

We continue to aggressively defend the appeal of the \$603.2 million judgment for breach of contract and fraud that we obtained against BSSI and Boeing in January 2009. All briefing has been completed at the California Court of Appeals, and we are waiting for the court to schedule oral argument. Due to delays in the court's docket, we now anticipate that oral argument will be scheduled in the third quarter of 2011, with a written decision expected within 90 days thereafter. After we receive a decision from the California Court of Appeals, either we or Boeing may request further appeal to the California Supreme Court or the United States Supreme Court, although neither court is obligated to grant further appeal. We cannot predict the timing or outcome of the appeal process.

As a result of the Implementation Agreement and Restructuring Support Agreement that we entered into with DISH Network on March 15, 2011, we have recognized a gain on the disposition of our DBSD interest. We believe that all or substantially all of the gain or income resulting from the payments from DISH Network will be offset by our NOLs, resulting in little, if any, income tax liability.

Even with the proceeds from our agreements with DISH Network, and with any proceeds from our judgment against BSSI and Boeing, we will remain a development stage enterprise. However, we will actively explore ways to leverage such proceeds to capitalize on our actual and potential tax losses. Our exploration is likely to result in the acquisition or investment in assets or businesses that are unrelated to our historical assets or business.

Table of Contents**Critical Accounting Policies**

Critical accounting policies require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The judgments and uncertainties affecting the application of these policies include significant estimates and assumptions made by us using information available at the time the estimates are made. Actual results could differ materially from those estimates. Our critical accounting policies involve judgments associated with our accounting for the fair value of financial instruments (including our previous investment in DBSD), asset impairment, contract settlements, stock-based compensation, income taxes and contingencies. There have been no significant changes to our critical accounting policies disclosed in our 2010 Form 10-K.

Results of Operations

The following table is provided to facilitate the discussion of our results of operations for the three months ended March 31, 2011 and 2010 (in thousands):

| | Three months ended March 31, | |
|--|---|-------------|
| | 2011 | 2010 |
| General and administrative expenses | \$ 6,485 | \$ 4,546 |
| Contract settlements | (4,735) | |
| Interest income | (7) | |
| Interest expense | 1,079 | 1,072 |
| Gain associated with disposition of assets | (300,886) | |
| Other (income) expense | (397) | 752 |
| Income tax benefit | (2,732) | (1,725) |

General and Administrative Expenses. General and administrative expenses are primarily comprised of personnel costs, stock-based compensation, legal and professional fees, satellite storage, satellite system operating expenses and general office related costs.

General and administrative expenses increased \$1.9 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The increase was primarily due to higher non-cash stock-based compensation expense of \$1.4 million, higher other employment related costs of \$329,000 and a \$212,000 increase in legal and other professional expense in the current year.

Contract Settlements. During the first quarter of 2011, we recognized a \$4.7 million gain associated with a reduction of our estimated liability for gateway obligations as a result of our agreement to purchase DT's claim against one of our subsidiaries.

Interest Expense. Interest expense for the three months ended March 31, 2011 and 2010 consists primarily of interest costs resulting from capital lease obligations associated with certain of our MEO gateway sites.

Gain Associated with Disposition of Assets. During the first quarter of 2011, we recognized a \$301 million gain associated with the disposition of our cost method investment in DBSD and certain other assets pursuant to the various agreements entered into with Dish Network on March 15, 2011.

Other (Income) Expense. Other income for the three months ended March 31, 2011 is comprised primarily of gains on foreign currency transactions of \$433,000. Other expense for the three months ended March 31, 2010 is comprised primarily of losses on foreign currency transactions of \$387,000 and \$365,000 of expense associated with reimbursements due to DBSD for their respective share of stock awards that ultimately failed to vest.

Income Tax Benefit. Income tax benefit for the three months ended March 31, 2011 and 2010 is primarily due to expiration of the statute of limitations associated with previously recorded uncertain tax positions, including interest and penalties.

We are still in the development stage and continue to incur losses. The tax benefit for these losses will not be recognized until realization is more likely than not.

Liquidity and Capital Resources

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

Overview. As of March 31, 2011, we had cash liquidity of \$51.9 million, and in April 2011, we received an additional \$280 million from DISH Network pursuant to the Implementation Agreement. These funds, together with the remaining proceeds from the Rights Offering, are currently expected to be utilized to fund our working capital needs for at least the next twelve months. Our primary expected cash needs for the next twelve months are for the ongoing operating costs associated with our MEO satellite system, professional fees associated with various legal and regulatory proceedings, and other general corporate purposes. We also expect to use our cash, and may incur debt, to acquire or invest in other businesses or assets, which are unlikely to be related to our historical business activities.

Table of Contents

On April 6, 2011, we agreed to sell our MEO Assets to J&J Group. Closing of the sale is conditioned upon certain regulatory approvals and cooperation from various governmental agencies. Upon the closing or termination of the sale of MEO Assets, J&J Group will reimburse us for ongoing operating expenses incurred since January 14, 2011 which are directly related to the MEO Assets.

If the anticipated sale of MEO Assets to J&J Group does not close or is terminated by November 1, 2011, DISH Network may exercise the DISH Option, under which DISH Network will assume responsibility for ongoing operating expenses directly related to the MEO Assets which are incurred subsequent to the exercise of the DISH option, but will not be required to provide us any additional consideration for the transfer of the MEO Assets.

On March 15, 2011, we entered into the Implementation Agreement and Restructuring Agreement with DISH Network under which DISH Network has agreed to pay us approximately \$325 million for our support of DISH Network's plan of reorganization for DBSD, certain spectrum priority rights, any distributions to us from DBSD, and the DISH Option, of which (i) \$35 million was paid on the Implementation Date, (ii) approximately \$280 million was paid on April 26, 2011, and (iii) \$10 million is payable at the earlier of (a) five days after DBSD's emergence from its pending Chapter 11 bankruptcy proceeding, or (b) five days after termination of the Amended Investment Agreement. In addition to these payments, DISH Network also agreed to indemnify us from all claims against and expenses incurred in connection with Sprint's pursuit of Spectrum Clearing Costs. DISH Network's payment obligations under the Implementation Agreement and the BAS Indemnity are not subject to any further court action or approvals. We recognized a gain of approximately \$301 million in the first quarter of 2011 associated with the disposition of our cost method investment in DBSD and other assets as a result of these agreements.

Cash Flows. The following table is provided to facilitate the discussion of our liquidity and capital resources for the three months ended March 31, 2011 and 2010 (in thousands):

| | Three months ended | |
|---|---------------------------|-------------|
| | March 31, | |
| | 2011 | 2010 |
| Net cash provided by (used in): | | |
| Operating activities | \$ (3,798) | \$ (2,700) |
| Investing activities | 34,707 | (202) |
| Financing activities | (71) | 29,074 |
| Effect of foreign exchange rate changes on cash | 251 | (258) |
| Net increase in cash and cash equivalents | 31,089 | 25,914 |
| Cash and cash equivalents beginning of period | 20,771 | 4,983 |
| Cash and cash equivalents end of period | \$ 51,860 | \$ 30,897 |

Cash, cash equivalents and short-term investments were \$51.9 million at March 31, 2011 compared to \$20.8 million at December 31, 2010. This increase is primarily due to the \$35 million received from DISH Network under the Implementation Agreement, partially offset by the incurrence of ongoing operating costs associated with our MEO satellite system and other general corporate expenditures in the first quarter of 2011.

For the three months ended March 31, 2011, cash used in operating activities consisted primarily of our net income of \$301.2 million adjusted for various non-cash items, including: (i) a \$301 million gain associated with the disposition of certain assets to DISH Network; (ii) a \$4.7 million reduction of a Gateway obligation; (iii) stock-based compensation expense of \$1.8 million; (iv) a \$1.3 million net decrease in income taxes payable, accounts payable and other accrued expenses; and (v) unrealized foreign exchange gains of \$440,000. For the three months ended March 31, 2010, cash used in operating activities consisted primarily of our net loss of \$4.6 million adjusted for various non-cash items, including unrealized foreign exchange losses of \$380,000 and stock-based compensation expense of \$327,000.

For the three months ended March 31, 2011, cash provided by investing activities consisted primarily of \$35.0 million from Dish Network pursuant to the Implementation Agreement. For the three months ended March 31, 2010, cash used in investing activities consisted of \$202,000 in payments to affiliates.

For the three months ended March 31, 2011, cash used in financing activities consisted of \$119,000 in payments of withholding taxes upon vesting of restricted stock awards, partially offset by proceeds from the exercise of stock options. For the three months ended March 31, 2010,

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

cash provided by financing activities consisted primarily of \$29.1 million of proceeds from the Rights Offering, net of related costs.

Table of Contents

Contractual Obligations. Our primary contractual obligations relate to our MEO satellite system. In the table below, we set forth our contractual obligations as of March 31, 2011 (in millions):

| | Total | Remainder of 2011 | Years ending December 31, | | |
|--|---------|----------------------|---------------------------|---------------|------------------------|
| | | | 2012- 2013 | 2014- 2015 | 2016 and thereafter |
| Satellite system operating obligations(1) | \$ 2.4 | \$ 2.0 | \$ 0.4 | \$ | \$ |
| Capital lease obligations, including interest(2) | 22.2 | 22.2 | | | |
| Operating lease obligations | 2.0 | 1.0 | 1.0 | | |
| Total | \$ 26.6 | \$ 25.2 | \$ 1.4 | \$ | \$ |

- (1) We have an agreement with Intelsat to provide satellite operational services to support F2. Under this agreement, we are obligated to pay Intelsat a recurring, monthly fee associated with TT&C and other satellite support services. In addition to this agreement, we have commitments for other operational services related to our MEO satellite and certain MEO gateway sites. As of March 31, 2011, our satellite system operating commitments were approximately \$2.4 million.
- (2) Our capital lease obligations represent future minimum payments due under capital lease commitments arising from agreements associated with certain of our MEO gateway sites. The amount of our contractual obligations as of March 31, 2011 represents principal and interest payable in accordance with the terms of the contractual agreements.

We have also entered into other agreements with our Gateway Operators which provide for varying levels of support required to operate the gateway sites. The majority of the Gateway Operators have terminated their agreements with us and discontinued providing the requisite level of services. Certain of the terminated agreements have not been settled and remain outstanding. Subsequent to the date of termination, we have continued to accrue estimated late payment fees associated with these agreements, if applicable. Settlement of these liabilities, including timing of future payment, if any, is currently uncertain and therefore this amount was not included in our table of contractual obligations above.

As of March 31, 2011, we have recorded a liability related to uncertain tax positions for income taxes, interest and penalties of \$10.7 million. Settlement of this liability, including timing of future payment, if any, is currently uncertain. As a result, this amount was not included in our table of contractual obligations above.

Risks and Uncertainties

Certain risks and uncertainties that could materially affect our future results of operations or liquidity are discussed under Part II Other Information, Item 1A. Risk Factors in this quarterly report and in our 2010 Form 10-K. In particular, these risks and uncertainties include, but are not limited to, the following matters:

We are engaged in litigation with BSSI and Boeing arising out of agreements for the development and launch of our MEO satellites. In February 2009, the Los Angeles Superior Court issued a judgment in our favor and against BSSI and Boeing for \$603.2 million. The judgment consists of at least four subparts, including compensatory awards, a punitive damage award against BSSI, a punitive damage award against Boeing, and pre-judgment interest. BSSI and Boeing have appealed the judgment and all of its subparts, thereby rendering the entire award subject to the risks of appeal. We cannot predict the outcome of the appeal process. Boeing has posted the full bond required to stay enforcement of the judgment, but the existence of the bond does not entirely eliminate the risk of collection. We have previously incurred substantial costs and fees to obtain the judgment, and expect we will continue to incur substantial additional costs and fees through the ultimate resolution of the case, including a contingent obligation to pay our trial lawyers a fee equal to 3% of any recovery up to \$250 million, and 5% of any recovery in excess of \$250 million, less certain costs and fees paid previously.

Edgar Filing: ICO Global Communications (Holdings) LTD - Form 10-Q

J&J Group recently agreed to acquire our MEO Assets. The closing of the sale is subject to a number of conditions, including regulatory approvals. J&J Group's efforts to satisfy closing conditions are continuing, and we are supporting those efforts by prosecuting various appeals of adverse regulatory rulings in the UK and European Union. If the sale of MEO Assets to J&J Group does not close as anticipated, and if DISH Network opts not to exercise the DISH Option, we may incur substantial costs in divesting our MEO Assets.

We are subject to additional risks and uncertainties discussed under Part II Other Information in this quarterly report and in Item 1A. Risk Factors in our 2010 Form 10-K, that could adversely affect our costs, competitive position, financial condition and ability to realize earnings.

Inflation

The impact of inflation on our condensed consolidated financial condition and results of operations was not significant during any of the periods presented.

Table of Contents

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have assessed our vulnerability to certain market risks, including interest rate risk associated with our accounts payable, capital lease obligations, and cash and cash equivalents and foreign currency risk associated with our capital lease obligations and cash held in foreign currencies.

As of March 31, 2011, our cash and investment portfolio consisted of both cash and money market funds, with a fair value of approximately \$51.9 million. The primary objective of our investments in money market funds is to preserve principal, while optimizing returns and minimizing risk, and our policies require, at the time of purchase, that we make these investments in short-term, high rated securities.

Our primary foreign currency exposure relates to cash balances in foreign currencies. Due to the small balances we hold, we have determined that the risk associated with foreign currency fluctuations is not material to us. We do not enter into any hedging or derivative transactions to manage our exposure to foreign currency risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and interim chief financial officer have evaluated our disclosure controls and procedures as of March 31, 2011 and have concluded that these disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act (as defined in Rules 13a-15(e) and 15d-15(e)) 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 chief executive officer and interim chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 1. Legal Proceedings**

See Note 6 to our condensed consolidated financial statements, *Commitments and Contingencies* included in Part I, Item 1 of this quarterly report, for a discussion of the material legal proceedings to which we are a party.

Item 1A. Risk Factors

There have been no material changes to our risk factor disclosures included under Part I, Item 1A. of our 2010 Form 10-K.

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

Management believes that the securities issuances described in the table below were exempt from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) as a transaction not involving any public offering. The number of investors was limited, the investors were either accredited or otherwise qualified and had access to material information about the registrant, and restrictions were placed on the resale of the securities sold.

| Date | Title | Number of shares |
|---------------|----------------------|-------------------------|
| March 1, 2011 | Class A common stock | 59,808(1) |

(1) Issued as compensation to Eagle River, Inc., for advisory services performed from December 1, 2010 through February 28, 2011.
Use of Proceeds

On July 11, 2008, our universal shelf registration statement on Form S-3 (Registration No. 333-152100) was declared effective by the SEC. On March 9, 2010, the Company completed a Rights Offering to existing stockholders in which it issued 42,870,000 shares of Class A common shares at a price of \$0.70 per share, which shares were registered under the shelf registration statement. The proceeds from the Rights Offering to the Company were approximately \$29.2 million, after deducting fees. No offering expenses were paid directly or indirectly to our directors, officers or their associates, or to persons owning 10% or more of any of our equity securities.

As of March 31, 2011, the remaining proceeds from the Rights Offering, after deducting fees, are reflected in cash and cash equivalents on the Company's condensed consolidated balance sheet. Through March 31, 2011, the Company has used approximately \$13 million of the net proceeds from the Rights Offering to fund ongoing operational expenses. We may also use a portion of the proceeds to acquire or invest in other businesses, products or technologies, which may or may not be related to our historical business activities, as well as for capital expenditures. Pending these uses, we expect to hold the amounts in cash or invest the remaining net proceeds in short-term, investment-grade securities.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Removed and Reserved

Item 5. Other Information

None.

Item 6. Exhibits

Ex. 31.1* Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).

Ex. 31.2* Certification of the principal accounting and financial officer required by Rule 13a-14(a) or Rule 15d-14(a).

Ex. 32.1* Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350).

* Filed herewith.

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.

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

(Registrant)

Date: May 6, 2011

By: /s/ **BENJAMIN G. WOLFF**
Benjamin G. Wolff

Chairman of the Board of Directors,

Chief Executive Officer and President (Principal Executive Officer)