ICO Global Communications (Holdings) LTD
Form 10-K
March 28, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

or

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

For the transition period from to
Commission File Number 000-52006

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization) **Plaza America Tower I, 11700 Plaza America Drive, Suite 1010, Reston, Virginia 20190**
(Address of principal executive offices including zip code) **(703) 964-1400**
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A common stock, par value $0.01 per share	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No ý

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No ý

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 ý No o

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

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

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

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

As of June 29, 2007, the aggregate market value of common stock held by non-affiliates of the registrant was approximately $428,601,053.

As of March 5, 2008, the registrant had 145,431,083 shares of Class A common stock and 53,660,000 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement for its 2008 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

2007 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. Business.

This Annual Report on Form 10-K contains certain forward-looking statements regarding future events and our future operating results that are subject to the safe harbors created under the Securities Act of 1933, as amended ("Securities Act"), and the Securities Exchange Act of 1934, as amended ("Exchange Act"). Readers are cautioned that these forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict, including those identified below, under "Risk Factors." Actual events or results could differ materially due to a number of factors, including those described herein and in the documents incorporated herein by reference.

Overview

ICO Global Communications (Holdings) Limited is a next-generation mobile satellite service ("MSS") operator. We are authorized to offer MSS services throughout the United States using a geosynchronous earth orbit ("GEO") satellite. We have applied to the U.S. Federal Communications Commission ("FCC") for authorization to integrate an ancillary terrestrial component ("ATC") into our MSS system in order to provide integrated satellite and terrestrial services. Unlike satellite-only MSS systems, which have historically appealed to a niche market, we believe that integrated MSS/ATC services may be more likely to appeal to a mass market of consumers and businesses. At the present time, we are focusing most of our resources on developing our U.S. MSS system. We have also coordinated the spectrum to enable the operation of a medium earth orbit ("MEO") satellite system globally in compliance with regulations promulgated by the United Kingdom and by the International Telecommunication Union ("ITU"), an international organization within the United Nations system.

In this annual report, we use the terms "ICO," the "Company," "we," "our" and "us" to refer to ICO Global Communications (Holdings) Limited and its subsidiaries and, where the context indicates, its predecessor corporation. For various historical, operational and regulatory reasons, we have many subsidiaries through which we hold our assets and conduct our operations. For example, our U.S. operations are conducted through our majority owned subsidiary, ICO North America, Inc. ("ICO North America"), and its subsidiaries. We have included a chart with a summary of our organizational structure on page 15.

History and Development of Our Business

Pre-reorganization. We were incorporated in the State of Delaware in 2000 in order to purchase the assets and assume certain liabilities of ICO Global Communication (Holdings) Limited, a Bermuda company ("Old ICO"). Our predecessor company, Old ICO, was established in 1995 to provide global, mobile communications services using a MEO satellite network. Old ICO's original business plan was based on a global MEO satellite system designed to provide voice and data service to a wide-ranging customer base, including traditional mobile phone users, aeronautical and maritime vessels and semi-fixed installations.

On August 27, 1999, Old ICO filed for protection from its creditors under Chapter 11 of the United States Bankruptcy Code and commenced related bankruptcy proceedings in Bermuda and the Cayman Islands with respect to certain of Old ICO's subsidiaries. From its inception in 1995 through to May 16, 2000, Old ICO had recorded an aggregate net loss of $592.6 million and had capitalized approximately $2.6 billion of costs relating to the construction of its MEO satellites, procurement of launch vehicles and a ground station network.

On October 31, 1999, Eagle River Investments, LLC ("Eagle River Investments") and affiliates, executed a binding letter agreement with Old ICO. Pursuant to the binding letter agreement, Eagle River Investments and several other investors advanced $225 million to Old ICO under a

debtor-in-possession credit agreement. From February 9 through May 16, 2000, an Eagle River Investments affiliate, ICO Global Limited, advanced Old ICO an additional $275 million under a separate debtor-in-possession credit agreement.

Reorganization. On May 3, 2000, the United States Bankruptcy Court approved Old ICO's plan of reorganization. We subsequently raised $122.9 million from outside investors and $577.1 million from Eagle River Investments to fund our acquisition of the assets and assumption of certain liabilities of Old ICO. On May 17, 2000, when Old ICO's plan of reorganization became effective, the following transactions occurred:

We acquired the assets and assumed certain liabilities from Old ICO in exchange for:

$117.6 million in cash;

43 million shares of our Class A common stock which were issued to Old ICO's former creditors and shareholders;

Warrants to purchase 20 million shares of our Class A common stock at $30 per share which were issued to Old ICO's former creditors;

Warrants to purchase 30 million shares of our Class A common stock at $45 per share which were issued to Old ICO's former shareholders;

The $225 million in advances by Eagle River Investments and the other investors were converted into 50 million shares of our Class A common stock; and

The $275 million in advances by ICO Global Limited were converted into 31 million shares of our Class B common stock.

Subsequent to May 17, 2000, a group of Old ICO sales and distribution partners received 1.8 million shares of our Class A common stock, and Old ICO's former creditors received an additional 700,000 shares of our Class A common stock in connection with the bankruptcy settlement.

As a result of the events described above, following the reorganization, Eagle River Investments, directly and indirectly through its control of ICO Global Limited, held a controlling interest in us. Effective November 28, 2001, one of our wholly-owned subsidiaries and ICO Global Limited merged with 0.93 shares of our capital stock exchanged for each outstanding share of ICO Global Limited capital stock. As a result of the merger, we issued 25,128,321 shares of our Class A common stock and 55,800,000 shares of our Class B common stock to the stockholders of ICO Global Limited, including Eagle River Investments. Eagle River Investments subsequently assigned its shares of our stock to its affiliate, Eagle River Satellite Holdings, LLC ("ERSH").

As of December 31, 2007, we had 145,379,431 shares of Class A common stock (which has one vote per share) and 53,660,000 shares of Class B common stock (which has ten votes per share) outstanding. ERSH remains our controlling stockholder, and has an economic interest of approximately 32.8% and a voting interest of approximately 68.1%.

Post-reorganization. After the reorganization, we established a new management team who oversaw the construction of our MEO satellites and ground systems and developed our technical plan for the MEO satellite system. Following the launch failure of our first MEO satellite in March of 2000 as well as disagreements with the manufacturer and launch manager of our MEO satellites disagreements that are the subject of litigation commenced in 2004 we significantly curtailed construction activity on our MEO satellite system. Despite the curtailment of satellite construction activity, we continue to explore the potential development of a MEO business plan outside of North America.

As we focused on our MSS strategy for the United States, we devised and introduced to the FCC the concept of using MSS spectrum for ATC in order to address service coverage and economic limitations inherent to the MSS business plan. This ATC capability would allow us full access to urban customers by overcoming signal blockage related to buildings or terrain and capacity limitations inherent in satellite communications, thereby giving us greater flexibility to provide integrated satellite-terrestrial services.

In February 2003, the FCC issued an order establishing rules permitting MSS operators to seek authorization to integrate ATC into their networks. Additionally, in May 2005, the FCC granted our request to modify our reservation of spectrum for the provision of MSS in the United States using a GEO satellite system rather than a MEO satellite system. Finally, on December 8, 2005, the FCC increased the assignment to us of 2 GHz MSS spectrum from 8 MHz to 20 MHz due in part to the inability of six of the eight original MSS 2 GHz licensees to meet regulatory milestones and other matters. We believe these developments will greatly improve our ability to provide more robust services in the United States, which will enhance the economic viability of our business plan and proposed services.

In December 2004, we formed a new subsidiary, ICO North America, to develop an advanced next-generation hybrid mobile satellite service/ancillary terrestrial component system ("MSS/ATC System"), using a GEO satellite with the goal of providing wireless voice, video, data and/or Internet service throughout the United States on mobile and portable devices. In August 2005, ICO North America issued $650 million aggregate principal amount of convertible notes due on August 15, 2009 ("2009 Notes") to fund the development of our MSS/ATC System, and, in February 2006, it sold to certain of its note holders 323,000 shares of Class A common stock (less than 1% of the outstanding shares of such stock) and stock options (exercisable at $4.25 per share) to purchase an additional 3,250,000 shares of Class A common stock (approximately 1.5% on a fully diluted share basis).

On July 14, 2006, our registration statement under the Exchange Act became effective with the U.S. Securities and Exchange Commission ("SEC") and on September 13, 2006 our stock, which had previously traded on pink sheets, began trading on the NASDAQ Global Stock Market under the symbol "ICOG."

In 2007, ICO North America began to develop its ICO Mobile Interactive Media ("ICO mim ") service for use on its MSS/ATC System. ICO mim is intended as an interactive suite of services including mobile video, navigation, and emergency text and voice roadside assistance. ICO mim is being developed in conjunction with several telecommunications vendors, and an alpha trial of the service is planned for the second half of 2008. During the alpha trial, ICO intends to offer 8-15 channels of mobile video, a fully interactive navigation mapping and guidance program, and full interactivity for text messaging and voice service in the event roadside assistance is needed.

Business Opportunity and Strategy

We are a next-generation MSS operator. We are authorized to offer ubiquitous MSS throughout the United States using a GEO satellite and are developing an advanced next-generation hybrid satellite-terrestrial system. We also continue to explore the development of a business plan outside of North America which would use both our physical and regulatory MEO assets. We plan to conduct an alpha trial of our ICO mim service during the second half of 2008 or 2009 in two trial markets Las Vegas, Nevada, and Raleigh Durham, North Carolina. Despite this trial activity, we remain a development stage company and do not plan to be in commercial service for any part of 2008. In addition, our strategy and plans for 2008 outlined below may be impacted as a result of our investment in certain auction rate securities ("ARS") in early 2008 that are not currently liquid. The potential impact of these illiquid ARS is discussed below under "Risk Factors" and in Notes 2 and 14 to our consolidated financial statements.

North America

Industry Overview. The wireless communications sector has been among the strongest growth sectors in the communications industry in recent years. It has also been a sector marked by rapid change and development, as consumers communicate more, in additional ways, and content providers increasingly seek to reach consumers with mobile applications. We believe this sector presents significant opportunities for the creation of new businesses to serve consumers' mobile communications and entertainment needs. In addition, as a result of the growth of wireless traffic due to rapid subscriber growth, increasing usage of wireless voice services and accelerating adoption of mobile video, data and other high-bandwidth applications, we anticipate that existing and potential wireless service providers will need to significantly increase their network capacity.

MSS operators have historically struggled to gain mass-market penetration and profitability despite broad geographic coverage and emergency service capabilities. We believe that this has been due in part to limitations on MSS urban service coverage. Without ATC, it may be challenging for MSS systems to reliably serve densely populated areas because the satellite's signal may be blocked by high rise structures and may not penetrate into buildings. In order to create a more efficient use of satellite spectrum, encourage the broad deployment of advanced satellite services and provide for emergency services and broad rural wireless coverage, the FCC permits MSS operators, such as ourselves, to seek authorization to integrate ATC into their networks, and thus use their assigned MSS spectrum for both terrestrial and satellite use.

We believe that MSS operators with the capability of integrating ATC into their networks can be a key factor in addressing certain needs of the U.S. wireless communications sector. For example, the ability to offer traditional cellular service together with satellite services, such as emergency capabilities when terrestrial networks are not functioning due to natural disasters, local service interruptions or acts of terrorism, will enable MSS operators and their potential partners to create real differentiation in their product and service offerings. Likewise, an MSS operator may be able to offer two-way data and voice services along with multicast broadband data and video services from its satellite segment. Such offerings can be augmented with an appropriate number of terrestrial towers for enhanced interactivity and multicast coverage.

MSS operators in the United States have traditionally offered satellite-only services to a small number of users. As a result of the limited demand generated by this niche market, mass production of handsets and user devices has not occurred. The latest generation of satellites, however, allows for the use of smaller user devices than has historically been possible, particularly with respect to the size of the satellite reflector (antenna), which transmits signals to, and receives signals from, the user. We expect this development will allow for devices whose size and functionality fits more with the mass market demand of consumers and businesses today. In addition, satellite advancement provides more flexibility in terms of network architectures, such as ground-based beam forming ("GBBF"), which allows the operator to incorporate multiple services on the same satellite platform.

Our Strategy. We intend to capitalize on the rapid growth of the wireless sector in the United States by building a hybrid satellite-terrestrial system to offer ubiquitous satellite and terrestrial wireless service throughout the United States. We believe we have the ability, on a stand-alone basis or together with a partner, to offer integrated satellite and terrestrial solutions in the 2 GHz band to a mass market customer base. These advanced satellites also allow for enhanced connectivity and throughput to end user devices that was not previously possible. Because the 2 GHz band is contiguous with the advanced wireless services ("AWS") band and near the existing cellular personal communications service ("PCS") band, we believe device manufacturers should be able to develop devices and terrestrial networks in a cost-effective manner for use in the 2 GHz spectrum band. The devices could include car kits with antennas to provide mobile multicast video and/or wireless data to automobiles,

traditional cellular phone type devices, notebook computer network interface cards, or other broadband or narrowband data modems and antennas.

In 2008, we will continue the development of our MSS/ATC System. These activities include the continuation of construction of our GEO satellite by our contractor, Space Systems/Loral, Inc. ("Loral"), and the development of the associated ground systems. We have procured launch services on an Atlas V launch vehicle for our GEO satellite, with a launch date of April 14, 2008. We expect to certify our system operational by May 15, 2008, in compliance with a requested milestone date modification pending with the FCC.

We also plan to continue our development expenditures for the terrestrial network and user devices that will work with our MSS/ATC System. We are developing devices for an alpha trial of our ICO mim service in the United States in 2008. We also have developed a limited number of mobile phone-like devices capable of making voice calls to and from our GEO satellite. We expect to continue to sign agreements with other vendors to more fully develop other technologies to permit video and data multicasting and voice and data interactivity from the satellite, as well as integrated services for the terrestrial segment. In addition, we expect to increase the number of employees focused on technical, engineering, legal, finance and administrative functions as we prepare for trials of these technologies in 2008. To the extent our investments in ARS do not become liquid or we do not secure the required financing during 2008, we plan to reduce or delay our spending on these development activities.

Our MSS/ATC System is being designed to utilize the 20 MHz of nationwide spectrum in the 2 GHz band that the FCC has assigned to us. We believe our 20 MHz of nationwide spectrum will allow us to provide robust services to our future U.S. customers, as well as governmental and commercial users. Our position in the 2 GHz spectrum band is advantageous for several reasons, including the fact that it is contiguous to the existing AWS band and near the existing PCS band, which may facilitate integration with existing PCS and future AWS networks and systems. In addition, no other service providers are interleaved within the band, substantially reducing the potential for interference and the need for guard bands to protect from this intraband interference. We anticipate that we will be the first to launch our satellite and offer services in the 2 GHz band. Under FCC policy and the terms of our MSS authorization, being the first 2GHz MSS operator to successfully launch a satellite will allow us to choose our spectrum position first within the 2 GHz band in the United States.

The same 20 MHz frequency band allocated for 2 GHz MSS in the United States is also designated for MSS use in Canada, and would also be adjacent to bands proposed for AWS and near existing PCS bands. We have filed an application to provide MSS service to significant portions of Canada.

Our MSS/ATC System is being designed to be capable of supporting a full set of mass-market service offerings to urban and rural North American customers, including wireless voice, video, data and/or Internet and telematics (vehicle tracking), while addressing growing national security and public safety service needs by providing a service offering to supplement existing terrestrial networks. Our GEO satellite architecture is flexible and is expected to be compatible with widely used, existing radio protocols, including W-CDMA, GSM, DVB-SH, CDMA and OFDM, and to be able to support communications with a wide variety of user devices and handsets, many similar in size to existing cellular phones. This system architecture should provide us with many options for the creation of integrated MSS/ATC offerings.

We believe that our MSS/ATC System should be able to leverage the following strengths to capitalize on the growing demand for wireless services. The system is being designed to:

- support a full portfolio of mass-market wireless services, including traditional voice, text messaging and other narrowband applications;

- support a variety of broadband applications, including multicast data and/or video from the satellite and terrestrial segments as well as two-way broadband depending upon the level of terrestrial segment deployment;

- provide a nationwide integrated satellite-terrestrial service enabling nationwide coverage, with a terrestrial network of a scope and size to enable enhanced coverage and capacity;

utilize portable devices (such as laptops or PDAs) and handsets (such as current cellular phones) to broaden the consumer acceptance of our services;

support a wide variety of radio protocols, such as CDMA, GSM, DVB or OFDM, allowing for the integration of a wide variety of services and devices; and

leverage the proximity to the PCS and AWS spectrum with a flexible network architecture facilitating integration with terrestrial partners.

Business Model and Potential Customers. Our business model involves providing MSS/ATC services primarily to mass-market consumers for a fee. That revenue stream may be augmented through fees from third parties that wish to offer their services or advertise over our network. We believe that the interactive capability of our network, combined with geographic positioning and other information, offers attractive opportunities for innovative advertising and other offerings. We have developed and have the capability, over time and with adequate funding, of providing a range of services, including two-way voice. The primary product/service offering currently under development is our ICO mim service, which will provide mobile video, navigation and emergency assistance, initially in cars. We plan to conduct an alpha trial of the ICO mim service in two US markets in 2008. We have an agreement with Clearwire Corporation ("Clearwire") to explore ways to collaborate on offering Clearwire's broadband Internet capabilities in conjunction with ICO mim, as well as jointly building out our terrestrial network. We could offer ICO mim and/or other services on our own or with a strategic partner.

Given our MSS/ATC System's potential for ubiquitous nationwide mobile service combined with a terrestrial network, and the FCC's assignment to us of 20 MHz of spectrum in the 2 GHz band, we anticipate that a significant number of companies could be our potential strategic partners. We continue to have discussions with senior executives of several strategic partner candidates, including current or potential telecommunications service providers who would be able to complement our MSS offerings. Together with our capabilities, these potential partners could augment their current system capacity, expand their network footprint and offer other value-added satellite-based solutions and/or introduce wireless capability to their product portfolio. We currently expect that those companies will generally fall under the broad categories of cellular and PCS providers, satellite radio providers, cable TV service providers, satellite TV service providers and wireless broadband providers. In addition, we anticipate that international telecommunication companies seeking a U.S. operation may be potential partners. At this point, we do not know how such discussions will ultimately proceed and whether we will reach any agreement with any of the potential partners.

Competition. There are currently six companies, including us, who are authorized by the FCC to offer MSS services in the three ATC-eligible MSS spectrum bands, the 2 GHz band, the L-band (1.6 GHz band) and the Big LEO (low earth orbit) band (1.6 / 2.4 GHz band). These spectrum bands exhibit marked differences in frequency location, bandwidth and interference issues.

There are currently two operators, TerreStar and us, authorized to offer MSS services in the 2 GHz band, each with 20 MHz of spectrum. TerreStar has announced plans to launch a satellite system with coverage of the United States and Canada that is expected to communicate with handsets similar to current mobile devices, and it may also seek to form partnerships with companies in the telecommunications industry. Under FCC policy and license terms, the first of us or TerreStar to launch a satellite may select which of the two 10 MHz blocks in each of the 2 GHz uplink and downlink frequency bands that it will use to provide MSS. We believe that we are positioned to be the first to launch a satellite for the 2 GHz band. In February 2008, TerreStar announced a financing transaction with Harbinger Capital, Echostar, and others.

There are currently two entities that have U.S. authorization to provide MSS services in the L-band, Mobile Satellite Ventures and Inmarsat Global Ltd. To date, Mobile Satellite Ventures is the

only MSS provider in the L-band to have received ATC authorization. Mobile Satellite Ventures currently provides MSS using two GEO satellites, and has announced plans to develop an integrated satellite and terrestrial service. Inmarsat operates a global MSS system and has announced that it intends to file for ATC authorization for a satellite that will eventually have geographic coverage of the United States. In December 2007, Inmarsat and Mobile Satellite Ventures announced that they had signed a spectrum coordination and cooperation agreement.

Globalstar LLC and Iridium Satellite LLC are both licensed and operational in the Big LEO band; however, to date, only Globalstar has applied for and received ATC authorization. Both Globalstar and Iridium provide voice and data services using dozens of LEO satellites. Iridium's coverage is nearly global, and Globalstar covers numerous countries.

We expect that the competition for customers and strategic partners will increase as the entities described above continue with their respective business plans. We believe that competition will be based in part on the ability to support a full set of satellite and terrestrial service offerings, time to market and product offerings, as well as the ability to use spectrum in the most efficient manner. For our ICO mim service, we will also face competition from Sirius Satellite Radio, which has sought regulatory approval to merge with XM Satellite Radio, Inc. Sirius currently offers limited mobile video service using its existing satellites. We believe this service has limited expansion capability for the foreseeable future. Sirius does, however, have significant resources, and a large customer base and strong distribution system in addition to its OEM manufacturer relationships. In addition, several large cellular companies have announced and/or initiated the use of a terrestrial mobile video offering offered by Mediaflo, a subsidiary of Qualcomm. This service is focused on handheld users and will in the near term be limited to mostly urban regions. ICO's likely competitive advantage in this area will be its satellite coverage, which will be capable of providing service to the vast majority of the United States not currently, or not likely to be, covered by Mediaflo. There are other announced potential competitors in the mobile video market including local broadcasters using the ATSC standard on their existing spectrum for urban and suburban coverage. Many of these potential competitors could also become partners in offering even more robust video services with advantages of greater content variety and very broad coverage.

Outside of North America

We have coordinated the spectrum to operate a MEO satellite system globally outside of the United States (with the exception of two Middle Eastern countries) in the 2 GHz band in compliance with regulations promulgated by the United Kingdom and by the ITU. We have in orbit one MEO satellite, which currently provides data gathering services for an agency of the U.S. government. We have ten additional MEO satellites in storage, most of which are in advanced stages of completion. We are currently using two gateway ground stations equipped with five antennas each, one located in the United States and the other in Germany, to monitor the MEO satellite in orbit. In addition, we have other gateways around the world which we believe could be made active with reasonable efforts to enhance coverage of our global system.

In recent years, the wireless communications sector has been among the strongest growth sectors in the communications industry globally. In many markets, the amount of wireless traffic has grown at rates greater than in the United States. We anticipate that existing and potential wireless service providers will likely need to significantly increase their network capacity in order to maintain quality voice and data services while at the same time satisfying the growing consumer demand for enhanced and combined mobile and satellite service offerings.

We continue to explore the potential development of a MEO business plan outside of North America. Such a business plan will likely involve coordination with global and/or regional wireless operators as distribution partners. We have had preliminary discussions with a number of potential

partners for the development of the MEO satellite system who could provide funding for the development of the MEO satellite system or other strategic assets to complement our physical and regulatory MEO assets. At this point, we do not know how such discussions will ultimately proceed and whether we will reach any agreement with any of the potential partners.

Regulation

Our ownership and operation of satellite and wireless communication systems is subject to regulation from the FCC, the ITU and U.K. Office of Communications ("Ofcom").

Federal Communications Commission

The FCC generally regulates the construction, launch and operation of satellites, the use of satellite spectrum at particular orbital locations, the licensing of earth stations and mobile terminals, and the provision of satellite services in the United States. In 2001, the FCC authorized us to provide MSS in the United States using a MEO satellite system. In May 2005, the FCC granted our request to modify our reservation of spectrum for the provision of MSS in the United States using a GEO satellite system rather than a MEO satellite system. A network that combines satellite services with ATC will require a separate ATC authorization from the FCC as well as additional FCC authorizations to cover terrestrial facilities used to provide MSS/ATC services, including licenses and equipment certifications for the MSS/ATC handsets and other end-user equipment, as well as any gateway ground station located in the United States.

MSS Authorization. The FCC has allocated a total of 40 MHz of spectrum in the 2 GHz band for the provision of MSS. On December 8, 2005, the FCC increased the assignment of 2 GHz MSS spectrum to us from 8 MHz to 20 MHz, with geographic coverage of all 50 states in the United States, as well as Puerto Rico and the U.S. Virgin Islands.

FCC authorizations to provide MSS are subject to various regulatory milestones relating to the construction, launch and operation of MSS satellites. The FCC milestone requirements are intended to ensure the rapid delivery of service to the public and to prevent the "warehousing" of spectrum. We have met ten FCC milestones, and our right to use our assigned MSS spectrum to provide service is conditioned on our completion of two additional FCC milestones. Due to the postponement of our launch slot by Lockheed Martin Commercial Launch Services, Inc. ("Lockheed"), we have filed an amendment to our original requested extension of our remaining two FCC milestones. We have requested that the milestone for the launch of our satellite be extended until April 15, 2008 (from November 30, 2007), and that certification that the MSS system is operational be extended until May 15, 2008 (from December 31, 2007). As of March 27, 2008, the FCC has not granted these extensions.

In addition, our use of the 2 GHz band is subject to successful relocation of incumbent broadcast auxiliary service, cable television relay service and local television transmission service (collectively "BAS") users and other users in the uplink portion of our band. The FCC's rules require new entrants to the 2 GHz band, including 2 GHz MSS licensees, to relocate incumbent BAS users. Sprint Nextel, a new entrant in the 2 GHz band, is required to relocate incumbent BAS users in the 1990-2025 MHz band, which includes the 2 GHz MSS uplink band. On September 4, 2007, Sprint Nextel and other BAS parties filed a waiver request with the FCC stating that the progress in relocating the BAS operations has been delayed and, as modified by subsequent filings, Sprint Nextel requested an extension of its clearing deadline until August 2009. On March 5, 2008, the FCC ruled on this request, granting an extension to Sprint Nextel until March 2009, subject to a number of conditions and clarifications. Given Sprint Nextel's delays of the relocation of incumbent users in the 2 GHz band, commercial MSS operations will be delayed until at least early 2009. Sprint Nextel has also indicated that, despite the delay in relocation and the delay in the ability of MSS operators to commence

operations, it intends to seek approximately $200 million in reimbursement of eligible clearing costs from 2 GHz MSS licensees on a *pro rata* basis. Whether Sprint Nextel will be entitled to any reimbursement and, if so, how much is uncertain, and will depend on facts that have not yet been established and on the application of the FCC's rules. Finally, 2 GHz MSS licensees also must relocate incumbent microwave users in the 2 GHz MSS downlink band at 2180-2200 MHz or reimburse other parties for their costs of relocating those incumbent users. We have begun this process. We plan to complete the clearing necessary for our two market alpha trial of ICO mim by the second half of 2008, and have commenced the necessary clearing process for nationwide MSS service as well.

ATC Authorization. ATC authorization enables the integration of a satellite-based service with terrestrial wireless services, resulting in a hybrid MSS/ATC system. The FCC regulates the ability to provide ATC-related services, and authorization for such use is predicated on compliance with and achievement of various regulatory milestones relating to the construction, launch and operation of the underlying MSS system. An MSS operator seeking to provide commercial ATC service must separately apply for ATC authorization and meet "gating criteria" related to the operation of its MSS system as a pre-condition to providing ATC service, including the following:

- the MSS system must be capable of providing continuous satellite service;
- for GEO systems, MSS coverage must include all 50 states, Puerto Rico and the U.S. Virgin Islands, unless it is not technically possible;
- MSS must be commercially available (i.e., offered to the general public for a fee);
- ATC service may be provided using only the spectrum assigned to the MSS licensee;
- the operator is required to establish that its MSS and ATC services are fully integrated either by (i) offering dual-mode MSS/ATC user terminals to provide both MSS and ATC services or (ii) making a substantial showing demonstrating that the MSS operator will offer an integrated MSS/ATC service;
- for GEO systems, a spare satellite must be maintained on the ground within one year after commencing ATC service and must be launched into orbit during the next commercially reasonable launch window following a satellite failure; and
- ATC-only subscriptions are prohibited.

We applied for ATC authorization in December 2007. To provide MSS/ATC services in the United States, we must also apply for separate FCC authorizations to cover terrestrial facilities used to provide the services, including licenses and equipment certifications for the MSS/ATC handsets and other end-user equipment. We also applied for these authorizations in 2007, and are continuing to make additional regulatory filings in 2008.

International Telecommunication Union

The ITU regulates on a global basis the use of radio frequency bands and orbital locations used by satellite networks to provide communications services. The use of spectrum and orbital resources by us and other satellite networks must be coordinated pursuant to the ITU's Radio Regulations in order to avoid interference among the respective networks. Under ITU rules, our MEO satellite system is deemed to have been brought into use and therefore is entitled to international recognition and legal protection and interference protection. However, this status is subject to ongoing due diligence requirements in the construction of our MEO satellite system.

Separately, by June 1, 2012, the ICO North America GEO system is required under ITU rules to be brought into use and coordinated with those national administrations whose satellite systems have superior ITU rights and who have communicated coordination requests to the ITU with respect to the

ICO North America GEO system. If we fail to complete coordination with such administrations and systems prior to the launch of the ICO North America GEO system, the GEO system may be prohibited under ITU rules from providing coverage to countries with whom coordination requests are outstanding. We do not anticipate any issues in meeting these requirements.

U.K. Office of Communications

Our satellites are permitted to operate subject to compliance with regulations promulgated by the United Kingdom through Ofcom and the U.K. Department of Trade and Industry. The MEO satellite system was first filed at the ITU by the United Kingdom in 1994. Handsets to be used in the MEO satellite system for the provision of MSS were authorized in a 1999 U.K. statute. In 2005, the ICO North America GEO system satellite was authorized for filing at the ITU by the United Kingdom, and the United Kingdom has formally requested coordination with other national administrations for the GEO system. Under United Nations treaties, only nations have full standing as ITU members, and therefore we must rely on the United Kingdom to represent our interests there, including regulatory filings and coordination of our spectrum use and orbital location with all other potentially affected satellite operators that are represented by their respective national administrations.

Ofcom submits and maintains ITU filings on our behalf pursuant to our continuing compliance with U.K. due diligence requirements for each of our MEO and GEO systems, respectively. U.K. due diligence requirements include obligations to proceed with our business plans and to comply with Ofcom and ITU requirements related to filings made and activities undertaken on our behalf. These activities may include European Commission proceedings and may also include Conference of European Posts and Telecommunications ("CEPT") decisions as they are developed for the provision of MSS in the 2 GHz band in Europe. For example, we have certified that the MEO satellite system has met seven of the eight milestones specified in the 1997 CEPT decisions that provisioned spectrum in Europe for 2 GHz MSS systems. U.K. due diligence obligations requires that we meet the final milestone by providing commercial services, which may likely require the launch of additional MEO satellites. The precise requirements and timing that may be imposed by Ofcom in this regard are still to be determined. Ofcom has requested, however, that we continue to meet our due diligence requirements, and has requested that concrete steps be taken by us in the near future toward the deployment of commercial service on our MEO system in order to maintain Ofcom's support for us in international forums. We have submitted materials that we believe comply with Ofcom's requests, while preserving our legal rights regarding the propriety of those requests, but Ofcom has not yet expressed a view on our compliance. In addition, we must diligently participate in international coordination meetings arranged by Ofcom and coordinate with other national administrations in good faith.

European Community

The European Commission ("EC") on February 14, 2007 adopted a decision on the "harmonized use of radio spectrum in the 2 GHz bands for the implementation of systems providing MSS." This decision states that radio spectrum is available and planned to be used for MSS in the frequency bands 1980 - 2010 MHz and 2170 - 2200 MHz.

In addition, the EC prepared a draft report for European Parliament legislative resolution entitled "proposal for a decision of the European Parliament and the Council on the selection and authorization of systems providing MSS ("Report")." This Report lays down the regulatory process and framework including milestones and selection criteria for 2 GHz operators in Europe. The European Parliament is scheduled to debate the Report around the second quarter of 2008 and a vote on the legislation may occur in the third quarter of 2008, and be officially published later in 2008. If adopted, the Report could impact our claims to 2 GHz spectrum. The Report does not expressly recognize ICO's claims to spectrum in Europe, though it does allow the EC to take account of special

circumstances, and ICO would be eligible to compete for 2 GHz spectrum on the same terms as other candidates.

Our Planned Systems and Operations

MSS/ATC System

We are working closely with several industry-leading vendors to design and build our MSS/ATC System for North America. To date, we have certified that we have met the first ten FCC milestones. These milestones are designed to measure our progress toward having our MSS system certified as operational by May 15, 2008 in accordance with the modified milestone schedule that ICO has requested from the FCC.

Once fully developed, our MSS/ATC System infrastructure is expected to include the following:

- one orbiting GEO satellite, which will utilize a "bent pipe" architecture, where the satellite "reflects" the signals between the end-user equipment and the gateway ground station;
- GBBF equipment that is located at the gateway ground station;
- a land-based transmitting/receiving station utilizing large gateway feederlink antennas, with the gateway ground station connecting to our network through high-speed interconnection links and providing the interface between the satellite and the network;
- a core switching/routing segment, consisting of equipment used to route voice, video and data traffic between our network and the public data, telephone, Internet and mobile network, and integrated with the satellite and ATC segments;
- an ATC terrestrial network that will provide terrestrial wireless communications services that will be fully integrated with the satellite segment to provide ubiquitous national coverage to end users; and
- end-user equipment capable of supporting satellite-only and dual-mode (satellite/terrestrial) services.

GEO Satellite. We have contracted with Loral to construct our GEO satellite. In addition, we have contracted with Loral for the construction and integration with the GEO satellite of the GBBF equipment for the gateway segment. Our satellite is complete and arrived at the launch site on February 28, 2008. Our GEO satellite design is based on a Loral 1300 standard satellite platform that has been optimized for GEO MSS/ATC communications requirements. It features an expected 15-year service life and has a 12-meter unfurlable reflector (antenna) that focuses the 2 GHz signals on North America.

We have contracted with Lockheed to provide launch services on an Atlas V launch vehicle. Lockheed has scheduled a launch date of April 14, 2008.

The GEO satellite is designed to enable us to provide continuous service coverage primarily in all 50 states in the United States, as well as Puerto Rico and the U.S. Virgin Islands. If appropriate regulatory approval is granted by other countries, the GEO satellite is capable of providing service outside of the United States, throughout many parts of North America.

The FCC originally authorized us to operate our GEO satellite at an orbital slot at 91° west longitude. We determined that this orbital slot could present coordination challenges with other GEO satellites operated at or near 91° west longitude. We therefore submitted an ITU filing for operation at the 93° west longitude orbital slot, and negotiated with the party who formerly held the first priority rights, for purposes of the ITU rules, at this orbital location. In December 2006, the FCC granted our application to change the orbital location of our GEO satellite to 92.85° west longitude.

The FCC's rules require us to maintain a spare satellite on the ground within one year after commencing ATC service. The spare satellite must be launched into orbit during the next commercially reasonable launch window following a satellite failure. The spare satellite is not a requirement for the provision of MSS-only services. We may use our 93° west longitude orbital slot for this second satellite.

Ground-Based Beam Forming Equipment. Our GBBF equipment is located at the gateway ground station and at four geographically dispersed sites in the continental United States. GBBF is a method of processing the communication signals at the gateway in a manner such that the satellite can dynamically form up to 250 spot beams of varying sizes throughout our coverage area in both the uplink and downlink paths.

Gateway Segment. The gateway segment of our MSS/ATC System has been constructed in North Las Vegas, Nevada, and we expect it will be fully operational during the second quarter of 2008. The gateway will consist of a large gateway feederlink antenna, along with the equipment necessary to communicate with the satellite. The gateway ground station will track the GEO satellite with the gateway antenna and will manage traffic routing and satellite telemetry, tracking and command between the ground and satellite antennas so as to maintain uninterrupted communications. A redundant gateway antenna and associated ground equipment may be implemented as needed.

Core Switching/Routing Segment. The core switching/routing segment will include the equipment needed to direct calls, route data and video traffic, provide application services and manage the network. In addition, network management applications are expected to manage integration and coordination of the MSS and ATC segments. Together, all of the core switching/routing components are expected to ensure that switching and radio capacity is used efficiently to provide integrated services throughout our MSS/ATC System. We are currently in the process of identifying vendors and partners to design, build and operate the core switching/routing segment and network operations centers. We believe that there are several vendors and partners who can meet our specifications in this regard.

ATC Segment. The ATC segment will provide terrestrial wireless communications service that, when fully built out and integrated with the satellite segment, will provide integrated services to end users and offer ubiquitous national coverage through which communications will be possible nearly everywhere. Together, the MSS and ATC segments are expected to share the 20 MHz of nationwide spectrum. Our integrated MSS/ATC System is expected to include MSS radio equipment that will be co-located with the gateway segment equipment and ATC base stations that are expected to be deployed throughout the service area. These, together with dual-mode or other integrated devices, are expected to be capable of providing integrated end-user services and efficiently utilize the spectrum.

End-User Devices. In order to provide integrated services that maximize the benefits of the combination of satellite and terrestrial components, we intend to work with one or more user device or handset platform manufacturers and potentially one or more terrestrial ATC partners to design and develop MSS/ATC capable devices. We are developing a series of user devices for use with our ICO mim alpha trial. We have also developed a prototype technology for a lightweight mass-market handset similar to existing cellular phones and PDAs or a modem like device capable of communicating with any number of existing mass market user devices such as laptops or DVD screens. We believe a dual-mode (terrestrial/satellite) mobile device that is comparable to current terrestrial mobile phones can be constructed with relatively little additional hardware expense. We also may develop several different types of handsets and other mobile devices for specific applications, such as homeland defense, telematics, mobile video, maritime, and aeronautical.

Satellite Risk Management. We have procured launch and in-orbit satellite insurance coverage from approximately two dozen underwriters. These policies cover claims arising from events that take place during the launch phase, the subsequent in-orbit testing and through the operations phase of the satellite until one year from launch. The policies include the partial or full loss of the satellite during

launch phase, the failure of a satellite to obtain proper its orbit and the failure of a satellite to perform in accordance with design specifications once in orbit during the policy period. The amount of coverage during the launch and in-orbit phases varies based on certain conditions with the launch phase covered for up to $344 million and the in-orbit phase covered for up to $278 million. These policies also include customary commercial satellite insurance exclusions and/or deductibles and material change limitations, including exclusions on coverage for damage arising from acts of war and other similar potential risks in addition to exclusions for certain types of problems affecting the satellite that were known at the time the policy was written. As is common in the industry, we have not insured against business interruption, lost revenues or delay of revenues in the event of a total or partial loss of the communications capacity or life of the satellite. The total cost of this insurance, including commissions and insurance obtained by exercising an option under our contract with Lockheed, will be approximately $44 million.

Our MEO Satellite System

In addition to our planned MSS/ATC System, we are also pursuing the development of a MEO satellite system outside of North America. Following one launch failure in March 2000, as well as disagreements with the manufacturer and launch manager of our MEO satellites, which disagreements are the subject of litigation commenced in 2004, we gave notice of the termination of the construction and launch agreements for our MEO satellites. In 2003, we also decided that we would no longer provide full funding to certain of our subsidiaries to pay the operators of gateways for the MEO satellite system unless the agreements with such operators were restructured to reduce service levels and payment obligations. As a result, eight of the ten operators have terminated their agreements, five of which have been successfully renegotiated and our obligations in four of these have been satisfied and thereunder released, and in the last case a payment plan agreed. In the other three gateways where the agreements have been terminated, there has not been a settlement reached yet. In the case of the two gateways that have not been terminated, one agreement has been extended and the other one we continue to perform under as previously agreed.

We have in orbit one MEO satellite launched in June 2001, referred to as "F2," which currently provides data gathering services for an agency of the U.S. government. Primary satellite control is provided under an agreement with Intelsat Corporation, with backup satellite control provided by us in Slough, United Kingdom. We are required to have the capability of controlling F2 from the United Kingdom as part of our U.K. authorization. We are currently using two gateway ground stations each equipped with five antennas to monitor F2. We also own a facility in Itaborai, Brazil, on which certain gateway equipment for the MEO satellite system is located, but is not currently operational.

In addition, we have ten MEO satellites stored in a leased storage facility, most of which were in advanced stages of completion prior to the termination of work under the MEO satellite agreements. The MEO satellites, including F2, are a modified Hughes 601 and Hughes 702 design and have a designed in-orbit life of 12 years. The satellites feature active S-band antennas capable of forming up to 490 beams for satellite-user links and C-band hardware for satellite-ground station links.

The regulatory environment which governs our MEO satellite system in Europe is likely to change in the next year, and there is considerable uncertainty as to how legacy systems, such as our MEO satellite system, would be treated under any new regulatory regime. In addition, we are currently in litigation with the sole manufacturer of our MEO satellites. As a consequence of these substantial uncertainties, in late 2004 we concluded that there was no reliable business plan that would predictably value our MEO satellite system. We have written down the assets related to our MEO satellite system to zero for accounting purposes on our consolidated financial statements.

However, we continue to explore the potential development of a MEO business plan outside of North America. We continue to hold discussions with a number of potential partners who could

provide funding for development of the MEO satellite system or other strategic assets to complement our physical and regulatory MEO assets. At this point, we do not know how such discussions will ultimately proceed and whether we will reach any agreement with any of the potential partners. In addition to pursuing the development of the MEO satellite system, we may also pursue the integration of ATC-like components into our MEO satellite system to the extent permitted by applicable foreign regulatory authorities in the future. Such integration has recently been approved in Europe, where its principal spectrum regulatory body adopted a decision designating 2 GHz spectrum for MSS systems, including those supplemented by integrated terrestrial operations (a complementary ground component). We are also exploring the provision of service on F2 for disaster mitigation and recovery, and have begun preliminary work to produce devices that will function on F2 for that purpose. We have a memorandum of understanding with the Commonwealth Business Council and the ITU under which we would provide millions of free minutes of satellite usage for humanitarian purposes over 2 years.

Summary Organizational Chart

The following chart is a summary of the organizational structure of our company as of December 31, 2007. For various historical, operational and regulatory reasons, we have many subsidiaries through which we hold our assets and conduct our operations. This chart only lists our primary subsidiaries. Many of these subsidiaries were formed in connection with the development of the MSS/ATC System. Unless otherwise indicated, each entity is wholly-owned by its parent entity.

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* ICO North America has outstanding 2009 Notes. If all of the 2009 Notes are converted, the Company's equity interest in ICO North America would be decreased to approximately 55%.

ICO Global Communications (Operations) Limited is permitted to operate a MEO satellite system globally in compliance with regulations promulgated by the United Kingdom and by the ITU. Our operations outside of North America are primarily conducted by this subsidiary and its subsidiaries.

ICO North America, Inc. was formed to develop the MSS/ATC System, and all of our operations in North America are conducted by this subsidiary and its subsidiaries. ICO North America is funding the MSS/ATC System, in part, through the issuance of the 2009 Notes.

ICO Satellite Services Limited and ICO Services Limited are the subsidiaries through which ICO North America holds a 100% interest in ICO Satellite Services G.P.

ICO Satellite Services G.P. was assigned 8 MHz of 2 GHz spectrum by the FCC for the provision of MSS in the United States. The FCC granted ICO Satellite Services G.P.'s request in May 2005 to modify its reservation of spectrum for the provision of MSS in the United States using a GEO satellite system rather than a MEO satellite system. ICO Satellite Services G.P. transferred the FCC

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authorization to New ICO Satellite Services G.P. in December 2005. ICO Satellite Services G.P. is also the assignee of the contract between ICO Satellite Management, LLC and Loral for construction of a GEO satellite and the GBBF equipment for use in the MSS/ATC System. In March 2006, ICO Satellite Services G.P. entered into an agreement with Lockheed to provide launch services on an Atlas V launch vehicle. ICO Satellite Services G.P also holds the contract for the construction and operation of our gateway in North Las Vegas, Nevada, as well as other contracts for the operation of the MSS/ATC System. ICO Satellite Services G.P. owns a 99.99% interest in New ICO Satellite Services G.P.

SSG UK Limited owns a 0.01% interest in New ICO Satellite Services G.P.

New ICO Satellite Services G.P. holds the U.S. FCC authorization. It acquired the FCC authorization from ICO Satellite Services G.P. in December 2005. The FCC increased the assignment of 2 GHz MSS spectrum to 20 MHz on December 8, 2005.

ICO Satellite North America Limited was formed to hold the U.K. regulatory instruments for our ICO North America GEO satellite system.

Financial Information About Geographic Areas

Most of our assets and current development activities relate to our business in North America. The following table contains the location of our long-lived assets as of December 31, 2007 and 2006 (in thousands):

	December 31,	
	2007	2006
United States	$ 410,427	$ 322,019
Foreign	3	
	$ 410,430	$ 322,019

Intellectual Property

We hold 30 granted U.S. patents and have pending patent applications. For our MSS/ATC System, the patents and applications cover features such as various frequency reuse schemes, different terrestrial and satellite air interfaces, dual-mode user devices, network control and frequency planning, among others. We hold 29 granted foreign patents. ICO, ICO mim, the ICO logo and the ICO mim logo are trademarks or registered trademarks of the Company in the United States and/or other countries.

Employees

As of December 31, 2007, we had a total of 46 employees, including executive officers. We have also engaged consultants for the purpose of providing human resources, accounting services, strategy, regulatory and certain engineering specialties. We recently hired several employees in the technical, administrative, legal, finance and operating fields. Our employees are not subject to any collective bargaining agreements.

Available Information

The address of our website is www.ico.com. You can find additional information about us and our business on our website. We make available on this website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. You may read and copy this Form 10-K at the SEC's public reference room at 100 F Street, NE,

Washington, DC 20549-0102. Information on the operation of the public reference room can be obtained by calling the SEC at 1-800-SEC-0330. These filings are also accessible on the SEC's website at www.sec.gov.

We also make available on our website in a printable format the charters for certain of our various Board of Director committees, including the Audit Committee and Compensation Committee, and our Code of Conduct and Ethics in addition to our Certificate of Incorporation and Bylaws. This information is available in print without charge to any stockholder who requests it by sending a request to ICO Global Communications (Holdings) Limited, 11700 Plaza America Drive, Suite 1010, Reston, VA 20190, Attn: Corporate Secretary. The material on our website is not incorporated into or is a part of this Form 10-K.

Item 1A. Risk Factors.

The risks below address some of the factors that may affect our future operating results and financial performance. If any of the following risks develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected.

Risks Related to Our Business

We have no significant operations, revenues or operating cash flow and will need additional liquidity to fund our operations and fully fund all necessary capital expenditures.

We were restructured in a bankruptcy and, since May 2000, have had no significant operations or revenues and do not generate any cash from operations. With the exception of 2005 when we recognized net income due to gains recognized on certain contract settlements, we have incurred net losses since our inception. We expect to have losses for the foreseeable future. We continue to incur expenses, which must be funded out of cash reserves or the proceeds, if any, of future financings.

The implementation of our business plan, including the construction and launch of a satellite system and the necessary terrestrial components of the MSS/ATC System, will require significant funding. It is unclear when, or if, we will be able to generate sufficient cash from operations to cover our expenses and fund capital expenditures beyond those required to complete the MSS portion of the MSS/ATC System. Our current assets will not be sufficient to fund our expenses through deployment of the integrated MSS/ATC System and commencement of revenue-generating operations. We would need substantial additional capital if we determine to develop the necessary ATC ground infrastructure alone, rather than with strategic partners. We expect that the additional funding needed for the type and scope of ATC service we would pursue without strategic partners would range from approximately $300 million to $800 million, depending on the business or consumer market we choose to serve, the type and extent of ATC infrastructure necessary to serve such market and the geographic scope of our service area. Moreover, the indenture governing the 2009 Notes restricts our ability to incur additional indebtedness and to sell, lease, transfer or encumber any of our assets. There is a risk that we will not be able to obtain the additional funding required in the amounts or at the time the funds are required. If we are unable to obtain a partner or sufficient funds, we will not be able to pursue an ATC System or any business plan requiring an ATC System.

Subsequent to December 31, 2007, we hold investments in Auction Rate Securities that may not be immediately convertible into cash which could impact the funding of future operations.

Subsequent to December 31, 2007, we used the proceeds from the sale and maturity of certain of our investments and cash and cash equivalents to purchase approximately $98 million of student loan backed ARS consisting of variable rate bonds, with maturities ranging from 24 to 39 years, for which the interest rates are reset through a dutch auction each month. These monthly auctions have historically provided a liquid market for these ARS. Our ARS, which were purchased in accordance

with our investment policy, are AAA/Aaa rated and the underlying loans are 97% insured by the U.S. Department of Education. As a result of the impact of the current conditions in the global financial markets, the ARS we purchased subsequent to December 31, 2007 have experienced multiple failed auctions as the amount of securities submitted for sale has exceeded the amount of purchase orders. Therefore, cash from the sale of these ARS, which we anticipated would be available during 2008, may not be available in 2008 to sufficiently fund our operating activities. To the extent our ARS do not become liquid, or we do not secure funding beyond the working capital facility described below, we plan to significantly reduce our operating and development expenditures, which would include, among others, capital expenditures for the terrestrial network development of our MSS/ATC System, related personnel and vendor support, and other overhead. We obtained a $40 million working capital facility on March 27, 2008 that is collateralized by a first priority lien on substantially all of the assets of ICO North America and its subsidiaries. This facility will be utilized to provide the necessary cash flow for operations during 2008.

We may not be successful in implementing our business plan and this failure would have a material effect on our financial condition and ability to generate revenues from operations and realize earnings.

Our business plan contemplates building an MSS/ATC System serving all 50 states in the United States, as well as Puerto Rico and the U.S. Virgin Islands. Neither we nor any other company in the past has offered service over such an integrated satellite and ATC network. We may be unable to develop such a network in the timetable or within the total costs projected, or we may be unsuccessful at selling the services provided by such a network. We are substantially dependent on the efforts of certain of our suppliers, in particular Loral and Lockheed, to develop and deliver the satellite and other material components of our planned MSS/ATC System in working condition, and there are no readily available substitutes for these suppliers. We presently have limited operations other than development of our MSS/ATC System and delays in the delivery or deployment of the satellite will be harmful to the implementation of our business plan and, as a consequence, our financial condition and ability to commence revenue-generating operations and realize earnings.

There are significant risks associated with building, launching and operating the satellite contemplated under our business plan.

Our business plan contemplates operating one GEO satellite, exposing us to risks inherent in satellite launch and operations, including possible launch failure, incorrect orbital placement or failure of the satellite to perform as specified. If the satellite as delivered is not in working condition for launch, this could cause us to miss our scheduled launch date. Such a delay could be caused by many factors, including design, component and construction issues. A launch failure would result in significant delays in the deployment of the GEO satellite because of the need both to construct a replacement satellite, which can take 27 months or longer, and to obtain another launch opportunity. Such significant delays could materially and adversely affect our operations. Launch vehicles may also underperform, failing to place the GEO satellite in the desired orbital location. Even if we are able to place the GEO satellite into service by using its onboard propulsion systems to reach the desired orbital location, the satellite's useful life could be reduced. Satellites generally are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, which can occur as a result of various factors, such as satellite manufacturers' errors, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space. We suffered a launch failure with one of our MEO satellites, and another satellite in the MEO satellite system that was successfully launched experienced an anomaly in orbit that delayed functionality for several months. In addition, our GEO satellite systems will utilize GBBF, a new technology that has not been implemented in a satellite system previously.

While we have previous experience in launching and operating satellites and have obtained insurance for the launch and on-going operations of the satellite, such insurance may not fully cover all

losses we may experience. We may face delay and/or financial loss in the case of a disruption in the GEO satellite's construction or operation. We may not be able to obtain insurance to cover all the possible sources of failures or other amounts of loss. The occurrence of a launch failure could materially adversely affect our ability to insure the subsequent launch of our satellites at commercially reasonable premiums, as premiums may rise significantly following the occurrence of a launch failure depending on the cause of such failure. Once launched, we may be unable to obtain and maintain insurance for our GEO satellite, and the insurance we obtain will not cover all losses we may experience. We do not expect to insure against business interruption, lost revenues or delay of revenues. Also, any insurance we obtain will likely contain certain customary exclusions and material change limitations that would limit our coverage.

A launch or operational failure of the satellite may also endanger our FCC authorization to provide MSS using the 2 GHz spectrum in the event that satellite services cannot be promptly or fully initiated or restored. The loss of our MSS authorization would eliminate the value of our spectrum assignment and ability to generate revenues from commercial MSS/ATC System operations, which would have a material adverse effect on our financial condition. See "Regulatory Risks Our 2 GHz MSS authorization is subject to significant implementation milestones, and we have requested an extension of our remaining FCC milestones because delays in the launch of our satellite will not allow us to meet the remaining milestones by the current deadlines."

We have experienced delays from both our satellite manufacturer and our launch provider. In the fourth quarter of 2006, we were informed by our satellite manufacturer, Loral, that it projected a delay in delivery of the GEO satellite. In August 2007, we were informed by Lockheed that our launch slot would be postponed approximately six weeks, and then that it was postponed again due to delays in other launches scheduled to take place prior to our launch. Our current launch date is April 14, 2008. We currently have pending before the FCC a request for a modification of our remaining two milestones. We have requested that the milestone for the launch of our satellite be extended until April 15, 2008 (from November 30, 2007), and that certification that the MSS system is operational be extended until May 15, 2008 (from December 31, 2007). While we believe that such requests to the FCC have been granted in the past under similar circumstances, the FCC could deny our request. Moreover, we could fail to meet the new milestone dates. If we fail to meet a milestone, and we are unable to obtain a waiver or extension, we could lose our MSS authorization. The loss of our MSS authorization would have a material adverse effect on our business prospects, financial condition and results of operations, and would be an event of default under the indenture governing the 2009 Notes. In such a situation, the outstanding principal amount of the 2009 Notes would become due immediately after FCC appeals are exhausted and 25% of the noteholders demand payment.

There are significant technological risks associated with development of our MSS/ATC System.

The successful development of our MSS/ATC System will require us, through our subsidiaries and together with our suppliers and partners, to develop several new systems. These include the integrated MSS and ATC systems, dual direction GBBF for communications between the satellite and terrestrial equipment, and the development of mass-market dual mode devices that will meet the FCC's requirements. These devices are currently being developed. Although GBBF has been used for satellites before, to the best of our knowledge, it has never been implemented in both directions to the extent planned for the GEO satellite. Also, the GEO satellite may operate at lower signal strength than other satellites, increasing the challenge of developing a suitable dual mode device. Each of these developments represents unique challenges that may impact schedule and development cost. In addition, the end-user devices and the new network infrastructure may be at a cost disadvantage, due to lack of manufacturing scale. This may place us at a cost disadvantage with respect to other terrestrial carriers.

Other parties may have patents or pending patent applications related to integrated MSS/ATC System technology. Those parties may claim that our products or services infringe their intellectual property rights and bring suit against us for infringement of patent or other intellectual property rights. Although we believe that we do not (and we do not intend to), we may be found to infringe on or otherwise violate the intellectual property rights of others. If our products or services are found to infringe or otherwise violate the intellectual property rights of others, we may need to obtain licenses from those parties or design around such rights, increasing development costs and potentially making the system's operation less efficient. We may not be able to obtain the necessary licenses on commercially reasonable terms, or at all, or to design around such rights. In addition, if a court finds that we infringe or otherwise violate the intellectual property rights of others, we could be required to pay substantial damages or be enjoined from making, using or selling the infringing product or technology. We could also be enjoined while an infringement suit was pending. Any such claim, suit or determination could have a material adverse effect on the operation of the MSS/ATC System or our competitive position and ability to generate revenues.

We will have to license hardware and software for our MSS/ATC System and products. There is a risk that the necessary licenses will not be available on acceptable commercial terms. Failure to obtain such licenses or other rights could have a material adverse effect on the operation of the MSS/ATC System and our ability to remain competitive and generate revenues from operations.

The success of our business plan may depend on our ability to form strategic partnerships to develop our MSS/ATC System under the constraints of various regulatory requirements.

Our business plan contemplates that we may form strategic partnerships with parties who are able to complement our satellite offerings and benefit from our satellite and/or terrestrial network components. We currently have no strategic partners for our MSS/ATC System, and we may be unable to form such partnerships on attractive terms. Further, such partnerships may be subject to various regulatory requirements on operation and ownership of satellite and terrestrial assets that may significantly impact the value to a third-party of entering into a strategic relationship with us. Failure to obtain a strategic partner would make it more difficult to meet our financing requirements and strategic objectives.

We face significant competition from companies that are larger or have greater resources.

We face significant competition from companies that are larger or have greater resources than us, and from companies that may introduce new technologies and new wireless spectrum. While we plan to be one of the first companies to offer integrated satellite and ATC-based terrestrial services, in parts of our business we will face competition from many well-established and well-financed competitors, including existing cellular/personal communications service operators who have large established customer bases. Many of these competitors have substantially greater access to capital and have significantly more operating experience than we do. Further, due to their larger size, many of these competitors enjoy