ICO Global Communications (Holdings) LTD
Form 10-12G/A
June 26, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10/A

(Amendment No. 1)

GENERAL FORM FOR REGISTRATION OF SECURITIES

Pursuant to Section 12(b) or 12(g) of the Securities Exchange Act of 1934

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

(Exact name of registrant as specified in its charter)

Delaware	**98-0221142**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
Plaza America Tower I **11700 Plaza America Drive, Suite 1010** **Reston, Virginia**	**20190**
(Address of principal executive offices)	(Zip Code)

(703) 964-1400

(Registrant s telephone number, including area code)

Securities to be registered pursuant to Section 12(b) of the Act:

None

Securities to be registered pursuant to Section 12(g) of the Act:

Title of each class to be so registered	**Name of each exchange on which each class is to be registered**
Class A common stock, par value $0.01 per share	The Nasdaq National Market

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DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

Some of the statements under Item 1. Business, Item 1A. Risk Factors, Item 2. Financial Information and elsewhere in this Form 10 constitute forward-looking statements. These statements relate to future events or our future financial performance, and are identified by words such as may, will, should, expect, scheduled, plan, intend, anticipate, believe, estimate, potential, or continue or the negative of similar words. You should read these statements carefully because they discuss our future expectations, and we believe that it is important to communicate these expectations to our investors. However, these statements are only anticipations. Actual events or results may differ materially. Factors that might cause or contribute to such a difference include, but are not limited to, those discussed under Risk Factors and elsewhere in this registration statement.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. Subject to applicable law, we do not plan to update any of the forward-looking statements after the date of this registration statement to conform such statements to actual results.

Item 1. Business.

Overview

ICO Global Communications (Holdings) Limited is a next-generation mobile satellite service (MSS) operator. We are authorized to operate a medium earth orbit (MEO) satellite system globally pursuant to regulations promulgated by the United Kingdom and by the International Telecommunication Union (ITU), an international organization within the United Nations system. We are also authorized to offer MSS services throughout the United States using a geostationary earth orbit (GEO) satellite. We have the opportunity in the future to seek authorization from the U.S. Federal Communications Commission (FCC) 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.

In this registration statement, we use the terms ICO, the Company, we, our and us to refer to ICO Global Communications (Holdings) Limit 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 over 99%-owned subsidiary, ICO North America, Inc. (ICO North America), and its subsidiaries. We have included a chart with a summary of our organizational structure near the end of this Item 1.

History and Development of Our Business

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 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 and ground station network.

On October 31, 1999, Eagle River Investments, LLC (Eagle River), executed a binding letter agreement with Old ICO. Pursuant to the binding letter agreement, Eagle River 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 affiliate, ICO Global Limited, advanced Old ICO an additional $275 million under a separate debtor-in-possession credit agreement.

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 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 (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

(issued to Old ICO s former creditors) and warrants to purchase 30 million shares of our Class A common stock at $45 per share (issued to Old ICO s former shareholders);

- The $225 million in advances by Eagle River 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 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, 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 shareholders of ICO Global Limited, including Eagle River.

As of June 12, 2006, we had 143,222,843 shares of Class A common stock (which has one vote per share) and 54,886,500 shares of Class B common stock (which has ten votes per share) outstanding. Eagle River remains our controlling shareholder, beneficially owning approximately 34.4% of our total shares and 68.9% of the total voting power of our outstanding capital stock.

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 system. Following one launch failure in March of 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 significantly curtailed construction activity on our MEO system. Despite the curtailment of 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 ancillary terrestrial use in order to address service coverage and economic limitations inherent to the MSS business plan. This concept would allow us full access to urban customers, overcoming signal blockage related to buildings or terrain, 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. We believe this modification will greatly improve the economic viability of our business plan and proposed services. Finally, on December 8, 2005, the FCC increased the assignment to us of 2 GHz MSS spectrum from 8 MHz to 20 MHz, which we believe will allow us to provide more robust services in the United States. These FCC actions were in part due to the inability of six of the eight original MSS 2 GHz licensees to meet regulatory milestones and other matters.

We formed a new subsidiary, ICO North America, to develop an advanced hybrid mobile satellite service/ancillary terrestrial component system (the MSS/ATC System), using a GEO satellite, designed to provide voice, data and Internet service throughout the United States to handsets similar to existing cellular phones. In August 2005, ICO North America issued $650 million aggregate principal amount of convertible 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).

Acquisitions. In July 2002, we agreed to purchase the stock of two companies to which the FCC had also allocated spectrum in the 2 GHz band. Each of the agreements was structured as a two-step stock purchase agreement, with an initial purchase of a minority interest in the entity and a second purchase of a controlling interest subject to the FCC s approval of the change in control of the holder of the 2 GHz MSS authorization. However, in January 2003, the FCC revoked each company s 2 GHz MSS authorization. As a result of the FCC action, which was upheld by the U.S. Court of Appeals for the District of Columbia upon the companies appeals, we only acquired the initial minority interests in both companies and did not acquire the remaining interests.

Business Opportunity and Strategy

We are a next-generation mobile satellite service operator. We are authorized to offer ubiquitous MSS throughout the United States and are developing an advanced hybrid satellite-terrestrial system. We also continue to explore the development of a business plan outside of North America that would utilize both our physical and regulatory MEO assets. We are a development stage company and do not plan to be in commercial service for any part of 2006 or the first half of 2007.

North America

Industry Overview. The wireless communications sector has been among the strongest growth sectors in the communications industry in recent years. 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 issued an order in February 2003 establishing rules permitting 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. On February 25, 2005, the FCC reaffirmed its earlier decision to permit the integration of ATC into the networks of MSS operators, and, in July 2005, a court appeal of the FCC s initial ATC decision was withdrawn. We believe these events reduced regulatory uncertainty concerning ATC policy and allow for the development of a combined satellite and terrestrial service.

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.

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. Advances have been made in the design and construction

of satellites, particularly with respect to the size of the satellite reflector (antenna), which transmits signals to, and receives signals from, the user. Such advances have generally allowed for satellites to communicate with smaller devices, and, in particular, with smaller device antennas. We expect this development will allow for devices whose size and functionality fits more with the mass market demand of consumers and businesses today. We therefore believe we have the ability, on a stand-alone basis or together with a terrestrial partner, to offer integrated satellite and terrestrial solutions in the 2 GHz band to a mass market customer base. Because the 2 GHz band is contiguous with the advanced wireless services (AWS) band and near the existing cellular system personal communications service (PCS) band, we believe device manufacturers should be able to develop devices in a cost-effective manner for use in the 2GHz spectrum band. These devices could include traditional cellular phone type devices, car kits and antennas to provide mobile broadcast video and/or wireless data to automobiles, notebook computer Network Interface Cards, or other broadband or narrowband data modems and antennas.

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. For the remainder of 2006 and 2007, we plan to continue the development of our MSS/ATC System. These activities will include the continuation of construction of our GEO satellite by our contractor, Space Systems/Loral, Inc. (Loral), and the associated ground systems. We recently procured launch services on an Atlas V launch vehicle for our GEO satellite, with a launch period commencing on May 31, 2007. We will also continue our development expenditures for the terrestrial network and user devices that will work with our MSS/ATC System. We also expect to increase the number of employees focused on technical, engineering, legal, finance and administrative functions.

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 more robust services to our future U.S. customers, as well as public safety agencies.

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 interference. We anticipate that we will be the first to offer integrated MSS/ATC services in the 2 GHz band, which we expect will be important to attracting strategic partners.

Our MSS/ATC System is being designed to be capable of supporting a full set of mass-market service offerings to urban and rural U.S. customers, including voice, video, 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, CDMA and OFDM, and to be able to support communications with handsets 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, e-mail and other narrowband and broadband data applications;
- provide a nationwide integrated satellite-terrestrial service enabling ubiquitous coverage;
- utilize handsets similar in size to current cellular phones;

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

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

Business Model and Potential Customers. We are in the process of having our GEO satellite and the associated ground systems constructed. Our GEO satellite is scheduled to be launched by July 1, 2007, and we expect to certify our MSS system as operational by July 17, 2007 in compliance with FCC milestones under the authorization. We currently expect that we will develop the infrastructure required for our MSS/ATC System either alone or together with one or more strategic partners.

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 can be our potential strategic partners. We are currently in 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. These potential partners, together with us, 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.

We may also commence operations without a strategic partner. In that event, we would be required to develop additional capabilities in areas such as customer service and billing, marketing, and customer fulfillment. In addition, depending upon the services offered, we may need to commence construction of a terrestrial network, including the leasing of towers, the installation of radio equipment and the provisioning of a ground network to connect the terrestrial network. If we were to commence operations without a strategic partner, it would require substantial additional capital.

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/TMI and us, authorized to offer MSS services in the 2 GHz band, each with 20 MHz of spectrum. TerreStar/TMI 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 mobile devices, and it may also seek to form partnerships with companies in the telecommunications industry. Under FCC rules, the first of us or TerreStar/TMI 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.

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.

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 MSS 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, including handset sizing, as well as the ability to use spectrum in the most efficient manner.

Outside of North America

We are authorized 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 pursuant to regulations promulgated by the United Kingdom and by the ITU. However, some of these regulations date back to 1997, and the regulations are currently under reconsideration in Europe. While we are presently the only company authorized to operate in the 2 GHz band in Europe, there is considerable uncertainty as to how legacy systems, such as our MEO system, would be treated under any new regulatory regime. We have in orbit one MEO satellite, which currently provides data gathering services. We have ten additional MEO satellites in storage, most of which are in advanced stages of completion. We are currently using one gateway ground station equipped with five antennas, located in the United States, to monitor the MEO satellite in orbit.

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 system who could provide funding for the development of the MEO 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.

Regulation

Our ownership and operation of satellite and wireless communication systems is subject to regulation from the FCC, the ITU, and the 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 FCC ATC authorization and 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, which constitute the satellite system component of an integrated MSS/ATC network. The FCC milestone requirements are intended to ensure the rapid delivery of service to the public and to prevent the warehousing of spectrum. The FCC milestones that we must meet in order to preserve our FCC authorization to provide 2 GHz MSS include, among other requirements, the launching of a GEO satellite by July 1, 2007 and our certification of our MSS system as operational by July 17, 2007. Failure to comply with any of the FCC milestones could result in a cancellation of the 2 GHz MSS authorization, unless a milestone waiver or extension is obtained. To date, we have certified to the FCC that we have met the first five FCC milestones. We are required to meet seven additional FCC milestones. We have a particularly aggressive schedule for the construction and launch of our GEO satellite.

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 band. The FCC s rules require new entrants to the 2 GHz band, including 2GHz 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, and may be entitled to and has indicated that it intends to seek an as yet undetermined amount of reimbursement of eligible clearing costs from 2 GHz MSS licensees on a *pro rata* basis. 2 GHz MSS licensees also must relocate incumbent users in the 2 GHz MSS downlink band at 2180-2200 MHz or reimburse other parties for their costs of relocating those incumbent users. Relocation of incumbent users in the 2 GHz band remains a complex undertaking with the potential to delay the launch of commercial MSS operations.

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 ATC must separately apply for ATC authorization and meet additional gating criteria related to the operation of its MSS system as a pre-condition to obtaining an ATC authorization, 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.

ATC applications generally will not be granted until all the gating criteria are met, although an MSS licensee can apply for ATC authorization prior to meeting all of the gating criteria. We believe that we will apply for ATC authorization in 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.

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 system is deemed to have been brought into use and therefore is entitled to international recognition and legal protection. 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

Operations of our satellites are authorized by the United Kingdom through Ofcom and the U.K. Department of Trade and Industry. The MEO system was first authorized for filing at the ITU by the United Kingdom in 1994. Handsets to be used in the MEO 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 coordinating the orbital position of our satellite and spectrum 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, which 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, which include European Commission rules 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. For example, we have certified that the MEO 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 require that we meet the final milestone by providing commercial services in Europe, which may require the launch of additional MEO satellites. However, the precise requirements and timing that may be imposed by Ofcom in this regard are still to be determined. Further, these regulations are currently under reconsideration in Europe, and there is considerable uncertainty as to how legacy systems, such as the MEO system, would be treated under any new regulatory regime. In addition, we must diligently participate in international coordination meetings arranged by Ofcom and coordinate with other national administrations in good faith.

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. To date, we have certified that we have met the first five FCC milestones. These milestones are designed to measure our progress toward having our MSS system certified as operational by July 17, 2007 in accordance with the milestone schedule.

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;

- ground-based beam forming (GBBF) equipment that is expected to be 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 and data traffic between our network and the public data, telephone, Internet and mobile network, and integrated with the satellite and ATC segments;

- an ancillary terrestrial component 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. On May 24, 2005 the FCC granted our request to modify our reservation of spectrum for the provision of MSS service in the United States using a GEO satellite system, rather than a MEO satellite system. In anticipation of this approval, on January 10, 2005, we entered into a contract with Loral for construction of our GEO satellite with the contract mirroring the prescribed milestone dates set by the FCC, including completion of the GEO satellite in May 2007 and availability for launch by July 1, 2007. We amended and restated the contract on November 29, 2005, to incorporate the construction and integration with the GEO satellite of the GBBF equipment for the gateway segment. Loral completed the satellite critical design review in May 2005, and physical construction of the satellite is currently underway.

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 a 12-meter unfurlable reflector (antenna) that focuses the 2 GHz signals on North America. On March 10, 2006, we entered into an agreement with Lockheed Martin Commercial Launch Services, Inc. to provide launch services on an Atlas V launch vehicle, with a launch period commencing on May 31, 2007.

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 has authorized us to operate our GEO satellite at 91° west longitude. This orbital slot could present coordination challenges with other GEO satellites operated at or near 91° west longitude. We have submitted an ITU filing for operation at the 93° west longitude orbital slot, and recently negotiated with the party who formerly held the first-priority rights to use that orbital location, for purposes of the ITU rules, in order to allow us to have first-priority rights to use an orbital slot at or near 93° west longitude. We have a pending FCC application to modify our 2 GHz MSS authorization to change the orbital location of our GEO satellite from 91° west longitude to 92.85° west longitude. We anticipate that this change should ease international coordination efforts.

The FCC will 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.

Ground-Based Beam Forming Equipment. GBBF equipment is expected to be located at the gateway ground station. 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.

Gateway Segment. The gateway segment of our MSS/ATC System will consist of a facility using 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/or ground equipment may be implemented as needed.

We intend to own the gateway segment equipment and contract for the hosting of this equipment and for its operations and maintenance. We are currently in discussions with vendors regarding the build-out of the other components of the MSS/ATC System.

Core Switching/Routing Segment. The core switching/routing segment will include the equipment needed to direct calls, route data 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 appropriate 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 integrated with the satellite segment, will offer ubiquitous national coverage to end users. The satellite segment and the terrestrial communications segment will work in concert to provide integrated services to end users. 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. We intend to provide integrated services that maximize the benefits of the combination of satellite and terrestrial components. We are focused primarily on offering differentiated products and services that integrate both components. We intend to work with one or more handset or handset platform manufacturers and potentially one or more terrestrial ATC partners to design and develop MSS/ATC capable devices; among these is a lightweight mass-market handset similar to existing cellular phones and PDAs. 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 for specific applications, such as homeland defense, telematics, mobile broadcast video, maritime, and aeronautical. We are in discussions with several manufacturers and believe that such dual-mode devices can be manufactured.

Satellite Risk Management

We intend to obtain launch vehicle and satellite insurance and maintain in-orbit insurance coverage, each in an amount equal to the full replacement cost of the launch vehicle and our GEO satellite. Launch insurance policies typically cover claims arising from events that take place during the launch of the satellite through subsequent in-orbit testing and operations, including the replacement value of the launch vehicle, the partial or full loss of the satellite during launch, the failure of a satellite to obtain proper orbit and the failure of a satellite to perform in accordance with design specifications during the policy period, as well as insurance on the cost of such insurance. Insurance policies 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. We anticipate that, as is common in the industry, we will not insure 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.

Our MEO Satellite System

In addition to our planned MSS/ATC System, we are authorized pursuant to regulations promulgated by the United Kingdom to operate a global MEO satellite system. Under ITU rules, our MEO system is deemed to have been brought into use and therefore is entitled to international recognition and legal protection.

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, and the issuance in 2003 of the FCC s order establishing rules permitting MSS operators to seek authorization to integrate ATC into their networks, we have accelerated the development of our MSS/ATC System in North America using a GEO satellite. In 2004, we gave notice of the termination of the construction and launch agreements for our MEO satellites. In 2003, we decided that we would no longer provide full funding to certain of our subsidiaries to pay the operators of gateways for the MEO 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, four of which have been successfully renegotiated and our obligations thereunder released, four of which have been terminated but are not yet settled, one of which has been extended and one of which 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. Primary satellite control is provided under an agreement with PanAmSat Corporation, and we have a network management center and a backup satellite control center 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 one gateway ground station equipped with five

antennas, located in the United States, to monitor F2. We also own a facility in Itaborai, Brazil, on which certain gateway equipment for the MEO system is located.

In addition, we have ten MEO satellites in storage under an agreement with Boeing Satellite Systems International, Inc., most of which were in advanced stages of completion prior to the termination of work under the 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 regime which governs our MEO system is likely to change in the next year, and there is considerable uncertainty as to how legacy systems, such as our MEO 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, there is currently no business plan that would value our MEO system. We have written down the assets related to our MEO system to zero for accounting purposes on our consolidated financial statements.

Plan of Operation for 2006. As we retain our regulatory authorization to operate the MEO system, we continue to explore the potential development of a MEO business plan outside of North America. Our MEO system has met seven out of eight milestones specified for 2 GHz MSS systems in Europe. We may proceed toward meeting the final milestone by providing commercial services in Europe, which may require the launch of additional MEO satellites, when the precise requirements imposed by the U.K. agencies in this regard are determined. We have also completed coordination, pursuant to the ITU s Radio Regulations, for our MEO system (with the exception of two Middle Eastern countries), and may pursue operating licenses globally. In addition, we have had preliminary discussions with a number of potential partners who could provide funding for development of the MEO 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.

Summary Organizational Chart

The following chart is a summary of the organizational structure of our company as of June 12, 2006. 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.

* ICO North America has outstanding 7.5% notes. If all of the 7.5% notes are converted, the Company s equity interest in ICO North America would be decreased to approximately 56%.

ICO Global Communications (Operations) Limited is authorized to operate a MEO satellite system globally pursuant to 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 on August 15, 2005 of $650 million aggregate principal amount of 7.5% notes.

ICO Satellite Management LLC contracted in January 2005 with Loral for construction of a GEO satellite for use in the MSS/ATC System. ICO Satellite Management LLC assigned this contract to ICO Satellite Services G.P. in January 2006.

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 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 transferred the FCC authorization to New ICO Satellite Services G.P. in December 2005. ICO Satellite Services is also the assignee of the contract between ICO Satellite Management LLC and Loral for construction of a GEO satellite and the ground-based beam forming equipment for use in the MSS/ATC System. In March 2006, ICO Satellite Services G.P. entered into an agreement with Lockheed Martin Commercial Launch Services, Inc. to provide launch services on an Atlas V launch vehicle. 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.