ICO Global Communications (Holdings) LTD
Form 10-K
March 22, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

Or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 001-33008

ICO GLOBAL COMMUNICATIONS

(HOLDINGS) LIMITED

(Exact name of registrant as specified in its charter)

Delaware	**98-0221142**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

2300 Carillon Point, Kirkland, Washington 98033

(Address of principal executive offices including zip code)

(425) 278-7100

(Registrant s telephone number, including area code)

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 ¨ No x.

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

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 x No ¨.

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

Indicate by check mark 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. x

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

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

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

As of June 30, 2010, the aggregate market value of common stock held by non-affiliates of the registrant was approximately $247,684,867.

As of March 11, 2011, the registrant had 200,382,660 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 2011 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

2010 ANNUAL REPORT ON FORM 10-K

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PART I

This Annual Report on Form 10-K (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 under Item 1A 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.

Item 1. Business.

Overview

ICO Global Communications (Holdings) Limited (ICO Global), along with its consolidated subsidiaries (collectively referred to as us, we, or the Company) was formed as a Delaware corporation in March 2000 as a development stage next-generation mobile satellite service (MSS) operator. Our principal executive office is located at 2300 Carillon Point, Kirkland, Washington 98033, and our telephone number is (425) 278-7100. Our website address is www.ico.com. The information contained in, or that can be accessed through, our website is not part of this Form 10-K. Prior to May 15, 2009, the Company s consolidated subsidiaries included DBSD North America, Inc. (formerly ICO North America, Inc.), and its subsidiaries (collectively referred to as DBSD), which are developing a next-generation hybrid mobile satellite service with ancillary terrestrial components covering the United States and Canada that combines satellite and terrestrial communications capabilities (MSS/ATC System). DBSD filed voluntary petitions for bankruptcy in May 2009 and, as a result, were deconsolidated for financial accounting and reporting purposes.

In 2001, we successfully launched, and currently operate, one medium earth orbit (MEO) satellite (F2). We also own ten additional MEO satellites in various stages of completion, related ground station equipment, and the right to use certain C-band radio frequencies globally and S-band frequencies outside of North America (collectively with F2, the MEO Assets). By late 2004, we had invested approximately $2.6 billion, in the aggregate, into the MEO Assets, many of which have been subsequently sold or abandoned. Due to disagreements with Boeing Satellite Services, Inc. (BSSI), the manufacturer and launch manager of the MEO satellites, which resulted in the commencement of litigation, we have not advanced the development or deployment of the MEO Assets since 2004.

Since August 2004, we have been engaged in litigation with BSSI and its parent corporation, The Boeing Company (Boeing), arising out of agreements we had with BSSI for the development and launch of our MEO satellites and related launch vehicles (MEO Contracts). In October 2008, a jury determined that BSSI and Boeing were liable to us for breach of contract, fraud, negligent misrepresentation and tortious interference with the MEO Contracts. In February 2009, the court entered judgment in our favor for approximately $603.2 million, consisting of $370.6 million of compensatory damages against BSSI and Boeing for breach of contract, fraud, negligent misrepresentation and tortious interference with contract; $29.6 million against BSSI for punitive damages; $177.0 million against Boeing for punitive damages; and $26.0 million in pre-judgment interest. Beginning January 2, 2009, post-judgment interest began to accrue on the $603.2 million judgment amount at the rate of 10% per annum (simple interest).

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

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August 10, 2010 and we then filed our reply brief on the cross-appeal on October 29, 2010. We anticipate that oral argument will be scheduled in the second or third quarter of 2011, with a decision expected from the appellate court within 90 days thereafter. We cannot predict the outcome of the appeal process.

During 2010, we explored potential opportunities to sell or otherwise divest the MEO Assets. Divestiture of the MEO Assets has been complicated by the fact that BSSI s assistance is likely needed to finish the partially completed satellites that we have in storage, and further complicated by the ongoing attempts by various regulatory agencies to terminate certain international spectrum rights previously allocated to us. Because of these challenges, and the fact that a majority of our ongoing operating expenses, excluding legal fees, have been related to the operation and maintenance of the MEO Assets, we concluded that it is in the best interests of our shareholders to either divest or dispose of the MEO Assets.

On February 11, 2011, we entered into an agreement with Jay & Jayendra (Pty) Ltd, a South African corporation, together with certain of its affiliates (collectively, J&J), granting J&J an option to acquire substantially all of our remaining MEO Assets during the period from April 1, 2011 through September 1, 2011 (J&J Option). The J&J Option expires on or before September 1, 2011, and can be terminated by either party prior to expiration under certain circumstances. During the term of the J&J Option and any closing process if the option is exercised, J&J will reimburse ICO for ongoing operating expenses that are directly related to the MEO Assets. If J&J exercises its option, its acquisition and operation of the MEO Assets will be conditioned upon certain regulatory approvals and cooperation from various governmental agencies and third parties. Assuming such approvals and cooperation are achieved, J&J will pay ICO a nominal amount of cash and warrants to acquire a 5% equity interest in the entity that owns and operates the MEO Assets going forward.

In addition to granting the J&J Option, we recently entered into an agreement with DISH Network Corporation (DISH Network) that provides DISH Network with a contingent option to acquire the MEO Assets if J&J does not exercise the J&J Option (the DISH Option). The DISH Option is part of a comprehensive Implementation Agreement, dated March 15, 2011 (the Implementation Agreement), under which DISH Network has agreed to pay us $325 million for our support of DISH Network s plan of reorganization for DBSD, certain spectrum priority rights, any distributions to us from DBSD, and the DISH Option, all as more thoroughly described below under Recent Developments. If neither J&J nor DISH Network exercise their options to purchase the MEO Assets, we will likely decommission F2 and begin the process of disposing of our other remaining MEO Assets.

With the proceeds from the Implementation Agreement and future proceeds, if any, from our judgment against Boeing and BSSI, we intend to explore opportunities to capitalize on the value of our actual and potential net operating loss carry forwards (NOLs). Our exploration is likely to result in the acquisition or investment in assets or businesses that are unrelated to our historical assets or business.

In this Form 10-K, we use the terms ICO, we, our and us to refer to ICO Global Communications (Holdings) Limited and its consolidated subsidiaries and, where the context indicates, its predecessor corporation. Because we deconsolidated DBSD from our financial operating results as of May 15, 2009, we do not include DBSD in these terms for the period from May 15, 2009 forward. For various historical, operational and regulatory reasons, we have many subsidiaries through which we hold our assets and conduct our operations. We have included a chart with a summary of our organizational structure which appears in Item 1 Business within this Form 10-K.

Recent Developments

Bankruptcy of DBSD North America, Inc.

On May 15, 2009, DBSD filed for bankruptcy protection under Chapter 11 of Title 11 of the United States Bankruptcy Code (Chapter 11 Case) in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). The Bankruptcy Court confirmed DBSD s plan of reorganization on October 26, 2009, as reflected in the Bankruptcy Court order entered on November 23, 2009, and thereafter affirmed by the

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Federal District Court for the Southern District of New York (District Court) on March 24, 2010. However, on December 6, 2010, in response to further appeals of DBSD s confirmed plan of reorganization by DISH Network and Sprint Nextel Corporation (Sprint), the U.S. Court of Appeals for the Second Circuit (Court of Appeals) rejected the DISH Network appeal, but granted Sprint s appeal based on its determination that the confirmed plan of reorganization violates the Bankruptcy Code s absolute priority rule. Subject to certain exceptions, the absolute priority rule requires payment in full to a senior class of creditors before any payments can be made to junior creditors or equity holders. As a result of the ruling from the Court of Appeals, the plan of reorganization cannot be consummated in its current form. The Court of Appeals remanded the Chapter 11 Case to the District Court with instructions to remand to the Bankruptcy Court for further proceedings.

DBSD responded to the Court of Appeals rejection of DBSD s confirmed plan of reorganization by filing in January 2011, with the Bankruptcy Court, a modified plan of reorganization that eliminated ICO s equity interest in the reorganized DBSD. However, in February 2011, DBSD subsequently negotiated an Amended and Restated Investment Agreement with DISH Network (Investment Agreement), pursuant to which DISH Network has conditionally agreed to invest more than $1 billion into the reorganized DBSD in exchange for 100% of the stock of the reorganized DBSD. Prior to the signing of the Investment Agreement, other parties expressed interest in acquiring DBSD, leading to a robust auction process that culminated in DISH Network increasing its offer to approximately $1.4 billion, which includes the $325 million that DISH Network has agreed to pay to us under the Implementation Agreement. DISH Network s enhanced offer is memorialized in a March 15, 2011 amendment to the Investment Agreement which, together with the original Investment Agreement, is referred to in this document as the Amended Investment Agreement.

The Amended Investment Agreement describes the manner by which DISH Network will promptly offer to purchase all of DBSD s outstanding debt and creditor claims for the full amount of allowed claims, plus interest, including certain claims against DBSD for broadcast auxiliary service (BAS) spectrum clearing reimbursement (the BAS Claim) as well as ICO s creditor claims against DBSD, with the amount of any disputed claims determined by the Bankruptcy Court (the Tender Offer). The Amended Investment Agreement also describes the replacement debtor-in-possession credit facility for DBSD that is expected to provide DBSD with sufficient capital to continue operating until emergence from bankruptcy. The Bankruptcy Court s approval of the Amended Investment Agreement triggered obligations under the Implementation Agreement, and under the accompanying Restructuring Support Agreement that we also signed with DISH Network on March 15, 2011 (the Restructuring Support Agreement).

Pursuant to the terms of the Implementation Agreement, we agreed to (i) sell to DISH Network our priority spectrum rights vis-à-vis DBSD s G1 satellite, (ii) provide DISH Network with a contingent call right on our equity interest in DBSD, exercisable in certain circumstances, subject to certain conditions, including regulatory approvals; (iii) pay over to DISH Network any distributions from DBSD or other benefits received by us in connection with a reorganization of DBSD; and (iv) grant DISH Network the DISH Option. In exchange for these rights and for rights provided to DISH Network in the Restructuring Support Agreement, DISH Network will pay us an aggregate of approximately $324,536,000, (i) $35,000,000 of which is payable within five calendar days after the Bankruptcy Court s approval of the Investment Agreement (the Implementation Date), (ii) $279,536,000 of which is payable on the Purchase Date, which is the date upon which DISH Network, via the Tender Offer, purchases greater than 50% of the 7.5% Convertible Senior Secured Notes due 2009 issued by DBSD, and (iii) $10,000,000 of which is payable upon DBSD s emergence from its pending Chapter 11 bankruptcy proceeding. If the Purchase Date does not occur within forty calendar days after the Implementation Date, we may accelerate all remaining amounts due from DISH Network, other than the $10,000,000 deferred payment, upon three business days notice. In addition to these payments, DISH Network also agreed to indemnify us from all claims against and expenses incurred by us in connection with the BAS Claim (the BAS Indemnity). DISH Network s payment obligations under the Implementation Agreement and the BAS Indemnity are not subject to any further court action, approvals or DBSD s emergence from bankruptcy. On March 21, 2011, we received $35 million from DISH Network pursuant to the terms of the Implementation Agreement.

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The Restructuring Support Agreement requires us to support the plan of reorganization that has been proposed by DISH Network (the Plan) and to take certain actions to facilitate the consummation of the Plan, including opposing any alternative transaction. Our facilitation commitments in the Restructuring Support Agreement are supplemented by certain related obligations in the Implementation Agreement, including the obligation to execute with DISH Network and DBSD a tax matters agreement, a license and spectrum coordination agreement and a transition services agreement. The tax matters agreement defines various tax-related obligations and commitments of the parties. The license and spectrum coordination agreement, among other things, obligates us or our successor to keep its MEO satellite system from interfering with DBSD s geosynchronous earth orbit (GEO) satellite system in the United States, Canada, Puerto Rico and the Virgin Islands. The transition services agreement describes the manner by which ICO and DBSD will cooperate and provide personnel and other support to each other following DBSD s emergence from bankruptcy.

Tax Benefits Preservation Plan

Effective January 29, 2010, our Board of Directors adopted a Tax Benefits Preservation Plan (Tax Benefits Plan) designed to prevent or significantly limit any ownership change, and to thereby preserve for our stockholders the value of certain tax assets primarily associated with NOLs under Section 382 of the Internal Revenue Code (Section 382). In connection with the Tax Benefits Plan, a dividend of Class A Rights and Class B rights, described more fully below, was paid to our stockholders of record at the close of business on February 8, 2010.

The Board of Directors adopted the Tax Benefits Plan in an effort to help us preserve our ability to utilize fully our NOLs, to preserve potential future NOLs, and to thereby reduce potential future federal income tax obligations. As of December 31, 2010, we have substantial existing NOLs of approximately $353 million. We may generate substantially larger NOLs if J&J exercises its option to purchase the MEO Assets, or if we otherwise sell or dispose of the MEO Assets. Under the Internal Revenue Code and related Treasury Regulations, we may carry forward these NOLs in certain circumstances to offset current and future income and thus reduce our potential future federal income tax liability, subject to certain restrictions. We believe that we will be able to carry forward a significant amount of NOLs, and therefore the NOLs could be a substantial asset for us. However, if we experience an ownership change, as defined in Section 382, the timing of usage and our ability to use the NOLs could be significantly limited.

The Tax Benefits Plan is intended to act as a deterrent to any person or group acquiring, without the approval of our Board of Directors, beneficial ownership of 4.9% or more of our securities, defined to include: (i) shares of our Class A common stock and Class B common stock, (ii) shares of our preferred stock, (iii) warrants, rights, or options to purchase our securities, and (iv) any interest that would be treated as stock of the Company for purposes of Section 382 or pursuant to Treasury Regulation § 1.382-2T(f)(18). Holders of 4.9% or more of our securities outstanding as of the close of business on January 29, 2010 will not trigger the Tax Benefits Plan so long as they do not (i) acquire additional securities constituting one-half of one percent (0.5%) or more of our securities outstanding as of the date of the Tax Benefits Plan (as adjusted), or (ii) fall under 4.9% ownership of our securities and then re-acquire 4.9% or more of the our securities (as adjusted).

History and Development of Our Business

We were incorporated in the State of Delaware in 2000 in order to purchase through a Chapter 11 bankruptcy process the assets of ICO Global Communication (Holdings) Limited, a Bermuda company (Old ICO). Old ICO was established in 1995 to provide global, mobile communications services using a MEO satellite system, the pursuit of which resulted, prior to Old ICO s bankruptcy, in an aggregate net loss of $592.6 million and capitalized costs of approximately $2.6 billion relating to the construction of its MEO satellites, procurement of launch vehicles and development of a ground station network. In May 2000, the U.S. Bankruptcy Court approved Old ICO s plan of reorganization, as a result of which we acquired the assets of Old ICO in exchange for cash, shares of our Class A common stock, and warrants to purchase additional shares of our Class A common stock.

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After the reorganization of Old ICO, we continued the construction of the MEO satellites and ground systems and developed our technical plan for the MEO satellite system. When disagreements arose with BSSI and Boeing that culminated in litigation, we significantly curtailed construction activity on our MEO satellite system. Instead, we focused our MSS strategy on the United States, and devised and introduced to the Federal Communications Commission (FCC) the concept of using MSS spectrum for an ancillary terrestrial component (ATC) or terrestrial re-use of MSS spectrum in order to address service coverage and economic limitations inherent to the MSS business plan. In December 2004, we formed DBSD to develop an advanced next-generation hybrid MSS/ATC System, using a GEO satellite system rather than a MEO satellite system to provide wireless voice, video, data and/or Internet service throughout the United States on mobile and portable devices. In May 2005, the FCC granted DBSD s request to modify its reservation of spectrum for the provision of MSS in the United States using a GEO satellite system.

On May 15, 2009, DBSD commenced its Chapter 11 Case. Due to our loss of control over DBSD as a result of the Chapter 11 Case, we deconsolidated DBSD from our financial operating results as of May 15, 2009. Subsequent to deconsolidation, DBSD has been carried as a cost method investment in our consolidated balance sheet.

Future Business Strategy

As evidenced by our entry into the Implementation Agreement and the J&J Option, we have decided to exit the satellite business in both North America and internationally. In the short term, we are reducing or eliminating costs associated with the MEO Assets, except to the extent that such costs must be incurred to satisfy obligations under the option agreements with J&J and DISH Network.

Going forward, we will focus on exploring ways to utilize the proceeds generated by the sale of our satellite business and resolution of the litigation with Boeing, to leverage our NOLs. Our exploration is likely to result in the acquisition or investment in assets or businesses that are unrelated to our historical assets or business.

Competition

The communications industry is highly competitive. Any communications service offering by the operator of our MEO Assets or DBSD s GEO assets will compete with a number of other communications services, including existing satellite services offered by Iridium LLC (Iridium), Globalstar LLC (Globalstar), Inmarsat Global Ltd (Inmarsat), Thuraya Telecommunications Company (Thuraya) and LightSquared (formerly SkyTerra Communications, Inc.). Globalstar and Iridium are both licensed and operational in the Big LEO band and provide voice and data services using dozens of LEO satellites. Iridium s coverage is global, while Globalstar partially covers the globe. Inmarsat owns and operates a fleet of geostationary satellites, and its offerings consist of maritime voice, facsimile and data, as well as global land-based and aeronautical communications services. Inmarsat is the leading provider of satellite communications services to the maritime sector. Thuraya owns two geostationary satellites operating in the L Band across Europe, the Middle East, Africa and Asia, and offers voice and data products from small handheld terminals to data only modems in all types of vertical market segments. LightSquared is building an LTE-based 4G wireless broadband network that will be integrated with North American satellite coverage for devices such as data cards, personal hotspots, routers and smartphones.

Competition in the communications industry will not be limited to the current capabilities of the entities described above. Rather, we expect that 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. To the extent that we retain an interest in the successor operators of our MEO Assets or DBSD s GEO assets, the value of the interest may be impacted by these competitive forces.

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We are not yet able to anticipate the type of competition that we will encounter as we transition from the MSS business and focus on utilizing our financial resources to leverage our actual and potential tax losses. The nature and strength of the competition will depend upon the assets we acquire, the markets we enter and the businesses we pursue.

Regulation

Our ownership and operation of the MEO satellite system, and the ownership and operation of the MEO satellite system by any successor operator, is subject to regulation from the FCC, the International Telecommunication Union (ITU) and the United Kingdom (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. Although MEO Asset operation is focused outside of the United States, the FCC regulates the U.S. earth station that controls F2.

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. In 2004, Ofcom informed the ITU that our MEO system (also known as ICO-P) has been brought into operation and is using the spectrum assignments in the 2 GHz band. In 2007, the ITU certified our use by entering our MEO system in the Master International Frequency Register (ITU Master Register) maintained by the ITU. Under ITU rules, other administrations take our recorded assignment into account when making their own assignments, in order to avoid harmful interference.

U.K. Office of Communications

Our MEO satellites are permitted to operate subject to compliance with regulations promulgated by the ITU and the United Kingdom through Ofcom and the U.K. Department for Business Enterprise and Regulatory Reform. Under the ITU constitution, only nations that have full standing as ITU members may make filings to the ITU, and therefore we must rely on the United Kingdom as our administrative body to the ITU for 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.

Despite our ITU coordination priority on 25-60 MHz of 2 GHz spectrum on which to operate the MEO satellite system globally outside of the United States and Canada, Ofcom has stated its intent to write to the ITU to instruct that the ICO-P assignments currently recorded in the ITU Master Register be cancelled. We filed for a judicial review against Ofcom in the United Kingdom to preclude Ofcom from sending such a letter to the ITU, but the court denied our request. The court also denied our subsequent written request for reconsideration. ICO requested an oral hearing on our request for appeal, which was held on February 17, 2011. In this oral hearing, the judge granted ICO request for appeal on all three arguments. An appeal hearing will be scheduled sometime in the second quarter 2011. Ofcom has told the court that they will not send a letter requesting removal of the ICO-P filing from the ITU Master Register until all appeals are exhausted by ICO. Even if the letter is sent, we do not believe the ITU will be compelled to comply with Ofcom s request, and we expect that J&J will attempt to persuade the ITU to preserve the ICO-P assignments; however, if the letter is sent, it may increase the likelihood that the ITU will initiate proceedings to cancel the ICO-P assignments.

If our ICO-P assignments are cancelled by the ITU, we will lose our ability to operate a MEO system based on our current ITU filing priority and MEO authorization, which will reduce the likelihood that either J&J or DISH Network will exercise their respective options to purchase the MEO Assets. See Risk Factors Regulatory Risks.

European Community

On February 14, 2007, the European Commission (EC) 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. Under this decision, systems capable of providing MSS must include one or more space stations and may include complementary ground components.

On June 30, 2008, the European Parliament passed Decision No. 626/2008/EC under which the EC made a call for applications for pan-European systems to provide MSS (EC Call). We unsuccessfully sought annulment of the EC Call. We also caused our subsidiary, ICO Satellite Limited, to file an application in response to the EC Call. The application was rejected on May 14, 2009, which prompted us to file in the European General Court a proceeding to challenge the outcome of the EC Call process and Decision No. 626/2008/EC, under which the European Union granted European spectrum rights to two of our competitors, but denied our request for spectrum rights (EC Call Process). We recently submitted a brief in this matter, and expect a full hearing in front of the European General Court in 2011.

Our MEO Satellite System

We have in orbit one MEO satellite, F2, launched in June 2001. Primary satellite control is provided under an agreement with Intelsat, Ltd. (Intelsat), 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 one ground station in Brewster, Washington to monitor F2.

In addition, we have ten MEO satellites, most of which are in advanced stages of completion, stored in a climate controlled leased storage facility in El Segundo, California. 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 MEO satellites feature an active phased array S-band antenna capable of forming up to 490 beams for satellite-user links and with C-band hardware for satellite to gateway links.

Construction of our MEO satellites ceased in 2004 and is the subject of our litigation with Boeing and BSSI as discussed under Item 3 Legal Proceedings. In 2003, we also ceased funding to certain of our gateway operators. As a result, nine of the ten gateway operators have terminated their agreements with us, six of which have been renegotiated and three of which remain unsettled. We also abandoned nine direct and indirect subsidiaries as of December 31, 2010. Meanwhile, we continue to own the real property at our former gateway facility in Itaborai, Brazil, on which certain gateway equipment for the MEO satellite system is located; however, this facility is not currently operational and we are actively marketing the property for sale.

We have written down the MEO Assets to zero for accounting purposes in our consolidated financial statements. However, as evidenced by the options granted to J&J and DISH Network, we continue to explore ways to capitalize on our substantial investment in our MEO Assets. The outcome of our efforts to capitalize on such value remains uncertain, at least until either J&J or DISH Network exercises an option to purchase the MEO Assets. Prior to that time, provided that neither we nor J&J terminate J&J s option, J&J must reimburse us for ongoing operating expenses that are directly related to the MEO Assets (the O&M Costs), thereby reducing our ongoing operating costs. If the J&J Option terminates, and DISH Network opts to maintain the DISH Option, then DISH Network must reimburse us for O&M Costs.

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Summary Organizational Chart

The following chart is a summary of our organizational structure as of December 31, 2010. For various historical, operational and regulatory reasons, we have subsidiaries through which we hold our assets and conduct our operations, most of which subsidiaries we abandoned in 2010. This chart only lists our primary subsidiaries, including DBSD, which we no longer consolidate effective May 15, 2009.

Financial Information By Geographic Areas

Our long-lived fixed assets primarily consist of furniture and fixtures, software and leasehold improvements held in the United States. The following table contains the location of our long-lived assets as of December 31, 2010 and 2009 (in thousands):

	December 31,	
	2010	**2009**
United States	$ 283	$ 377
Foreign	3	6
	$ 286	$ 383

Intellectual Property

ICO and the ICO logo are trademarks or registered trademarks of ours in the United States and other countries.

Employees

As of December 31, 2010, ICO Global had only two full-time employees, but also has an arrangement with DBSD under which DBSD provides to us the services of its 33 employees. We have also engaged full and part-time consultants for the purpose of providing financial oversight, legal services, human resources, accounting services, regulatory and certain engineering specialties. Our employees are not subject to any collective bargaining agreements.

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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 Securities and Exchange Commission (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, 2300 Carillon Point, Kirkland, Washington 98033, Attn: Corporate Secretary. The material on our website is not incorporated into or 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 are engaged in litigation with Boeing and BSSI and expect to incur material expenses in pursuing this litigation.

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

Sprint has sued us to collect BAS spectrum clearing costs.

Sprint has aggressively lobbied the FCC to impose upon ICO Global direct liability to reimburse Sprint for some of the costs incurred by Sprint to clear from the 2 GHz band the incumbent BAS that occupied the 2 GHz band prior to the FCC s allocation of spectrum to MSS/ATC operators (Spectrum Clearing Costs). Sprint is seeking payment for approximately $104 million of Spectrum Clearing Costs from us that Sprint is currently precluded from collecting from DBSD as a result of DBSD s Chapter 11 Case. The FCC, in its BAS Relocation Ruling that was issued on September 29, 2010, specifically declined to rule on our liability for Spectrum Clearing Costs, but in so doing described circumstances under which an affiliate of an FCC licensee might be liable for Spectrum Clearing Costs. Sprint has filed suit against us in the Eastern District of Virginia to recover the Spectrum Clearing Costs, and we have vigorously defended ourselves against this claim. We have previously incurred substantial costs and fees in connection with Sprint s lobbying efforts and Sprint s lawsuit, but recently significantly reduced our defense costs and exposure for Spectrum Clearing Costs by obtaining from DISH Network the BAS Indemnity. Nonetheless, if DISH Network for some reason fails to fulfill its BAS Indemnity obligations, we could continue to incur substantial additional costs and fees through the ultimate resolution of the lawsuit, as well as resulting economic damages if Sprint prevails.

The divestiture of our MEO Assets may be dependent upon the transaction with J&J or DISH Network and cooperation from BSSI.

The implementation of our MEO satellite system requires significant funding, and the completion and launch of the MEO satellites currently in storage will likely require cooperation from BSSI to complete construction of those satellites. BSSI has to date been unwilling to complete the MEO satellites for us and there can be no assurance that BSSI will agree to complete the satellites for J&J, DISH Network or any other potential buyer of the MEO Assets. If BSSI refuses to cooperate with J&J or DISH Network to complete the construction of the satellites, it is more likely that J&J will terminate J&J s option, DISH Network will forego the DISH Option, and we will therefore not receive any consideration leaving us to fund the costs of decommissioning F2 and disposing of the remainder of the MEO Assets.

The divestiture of our MEO Assets may be dependent upon the unimpaired operation of our satellites.

F2 continues to orbit the earth and perform routine functions, but has experienced certain anomalies over its life, including occasional short-circuiting of a forward digital signal processor (which has been corrected each time through operational procedures), and accelerated degradation of the battery. These anomalies have increased in recent years, in large part because of our decisions to reduce telemetry and command sites to minimize operational costs. If these anomalies become more pronounced, or if other operational problems surface, it is less likely that J&J or DISH Network will exercise their respective options, and we would be left to fund the costs of decommissioning F2 and disposing of the remainder of the MEO Assets.

The divestiture of our MEO Assets may be dependent upon post-bankruptcy agreements with DBSD.

Under the Implementation Agreement, we will enter into a transition services agreement and license agreement with DBSD, pursuant to which we will receive services from DBSD personnel, as well as a license to use and deploy certain patents and patent rights owned by DBSD. The Implementation Agreement calls for the execution and delivery of these agreements prior to DBSD s emergence from bankruptcy, but if for some reason the agreements do not become effective, we may lack transition services or patent license rights that are critical for the operation of the MEO Assets. If ICO is unable to effectively operate the MEO system, it could impact J&J s willingness or DISH Network s willingness to exercise its option for the MEO Assets. Similarly, without a patent license, we may be unsuccessful in selling our MEO Assets to J&J, or otherwise transferring our MEO Assets to a successor operator.

The divestiture of our MEO Assets may be dependent upon approval or cooperation from regulatory agencies.

The transfer of our MEO Assets to J&J, DISH Network or any other potential acquirer of the MEO Assets will likely require the approval or cooperation of various regulatory authorities, including Ofcom and the ITU. Ofcom has indicated its intention to write to the ITU to request that the ICO-P filing be cancelled. If ICO does not prevail in its appeal of the judicial review or if J&J or any other potential buyer of the MEO Assets is unable to modify Ofcom s current position, it is likely that Ofcom will send its letter, which in turn will increase the likelihood that the ITU will cancel the ICO-P filing. Irrespective of whether Ofcom sends its letter, Ofcom and other regulators in the United Kingdom may not be willing to cooperate with the transfer of our satellite operating license to J&J, particularly in light of the fact that the license is still registered in the name of ICO Satellite Services, Inc., which is a subsidiary of DBSD.

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Following the divestiture of our MEO Assets, we will have no significant operations, revenues or operating cash flow to fund any future investments to utilize the NOLs.

We have 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 non-cash gains recognized on certain contract settlements, and 2009, when we recognized net income due to a gain recognized on the deconsolidation of DBSD, we have incurred net losses since our inception. We will experience a substantial gain in 2011 as a result of payments from DISH Network. We continue to incur expenses, which must be funded out of cash reserves or the proceeds, if any, of future financings. The attainment of profitable operations is dependent upon future events, including effective deployment of the payments from DISH Network, receipt of proceeds from the Boeing litigation, and developing or acquiring profitable business operations.

The ongoing financial instability and uncertainty about global economic conditions could have a material negative effect on our business, liquidity and financial condition.

The financial crisis that affected the banking system and financial markets and the ongoing financial instability and uncertainty about global economic conditions have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in credit, equity and fixed income markets. There could be a number of follow-on effects from these economic developments on our future business, including the difficulty in raising sufficient money to pursue future business opportunities.

The risks associated with a successor s operation of our satellite constellation may be imputed to us.

If J&J exercises its option to purchase the MEO Assets, J&J contemplates operating our constellation of MEO satellites, possibly exposing us, as a predecessor owner and operator of the satellites, to risks that would not exist if we disposed of the MEO Assets. Risks inherent in satellite operations include failure to perform as specified, as well as 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. For example, in the past F2 has experienced an anomaly in orbit that interrupted some functionality on a number of occasions.

There are intellectual property risks associated with development of our MEO system.

Other parties may own patents or pending patent applications related to satellite communications. Those parties may claim that our MEO Assets infringe their intellectual property rights. Such claims, if brought against a successor operator of our MEO Assets (such as J&J or DISH Network) may require us to defend and indemnify the successor operator. 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 reducing the proceeds from a sale of the MEO Assets. 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. Any such claim, suit or determination could have a material adverse effect on the operation of the MEO system or a successor operator s ability to generate revenues, which in turn could result in claims against us.

Our prospects for disposing of the MEO Assets may be negatively impacted by our inability to protect proprietary information and intellectual property rights.

The success of a successor operator s business plan will likely depend, in part, on its ability to develop or acquire technical know-how and remain current on new technological developments. As a result, the successor s ability to compete effectively will depend, in part, on our ability and its ability to protect our proprietary technologies and systems designs. While we have attempted to safeguard and maintain our proprietary rights, we

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do not know whether we have been or will be successful in doing so. We rely on licensed patents, trademarks, copyrights, trade secret laws and policies and procedures related to confidentiality to protect our technology, products and services. Some of our technology, products and services, however, are not covered by any of these protections. To the extent that J&J or DISH Network is uncomfortable with the scope of such protection, it may decrease the chance that J&J or DISH Network will exercise its option to acquire the MEO Assets.

We are in the process of amending or terminating most of our MEO gateway agreements and may incur additional material expenses in terminating these agreements.

Certain of our subsidiaries have agreements with the operators of the gateways for our MEO satellite system. We have discontinued the funding of certain of the gateway agreements and may discontinue the funding of certain of our subsidiaries who are parties to the gateway agreements. We may incur costs associated with further terminations and the operators of the gateways may try to hold us liable for these agreements. As of December 31, 2010, we had an accrued liability of $50.4 million related to these unsettled agreements.

Our subsidiary with responsibility for the development of our MEO gateways is in the midst of insolvency proceedings.

ICO Global Communications (Holdings) BV (IHB), our indirect subsidiary that was primarily responsible for coordinating and facilitating the funding of our gateway development, is currently the subject of insolvency proceedings in the Netherlands. IHB s liabilities significantly exceed its assets, and we therefore anticipate that IHB may ultimately be liquidated as a result of such proceedings. We will incur costs and fees to process and conclude the insolvency proceedings, but we do not anticipate that ICO Global will bear responsibility for IHB s obligations. However, unaffiliated creditors of IHB, who are owed approximately $16 million in the aggregate, may attempt to hold us liable for IHB s obligations.

Our success depends on certain key management personnel, and certain factors may make it difficult to maintain our key managers and, if necessary, attract new managers.

Our future success depends largely on the expertise and reputation of our senior management team. Many of our key managers have employment contracts limited to six months of severance in the event of a termination of employment, and some key managers have shorter severance periods or no severance periods. In addition, some of these contracts are with DBSD and are subject to limitations prescribed by the DBSD Chapter 11 Case. This severance protection is less than provided at some other companies, including some competitors and other peer entities. These factors create the risk that we may lose our key management personnel to other companies. Although other companies may face some or all of these risks, many companies face fewer or none of these risks, and the market for key management personnel continues to exist, even if currently at a reduced level. The loss of any of our key personnel or the inability to recruit and retain qualified individuals could adversely affect our ability to implement our business strategy and operate our business.

Our ability to utilize our NOLs is dependent on avoiding an ownership change and securing future income.

As of December 31, 2010, we had substantial existing NOLs of approximately $353 million, as well as additional potential NOLs through losses that could be generated from the sale of assets at prices significantly less than their tax basis. Under the Internal Revenue Code and the Treasury Regulations issued thereunder, we may carry forward these losses in certain circumstances to offset any current and future income and thus reduce our federal income tax liability, subject to certain restrictions. To the extent that the NOLs do not otherwise become limited, we believe that we will be able to carry forward a significant amount of NOLs, and therefore the NOLs could be a substantial asset for us. However, if we experience an ownership change, as defined in Section 382, our ability to use the NOLs will be significantly limited, and the timing of the usage of

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the NOLs could be significantly limited, which could therefore significantly impair the value of that asset. Our ability to fully utilize the NOLs is also dependent upon the generation of future taxable income before the expiration of the carry forward period attributable to these NOLs, which begin to expire in 2020.

Risks Related to Our Class A Common Stock

Future sales of our Class A common stock could depress the market price.

The market price of our Class A common stock could decline as a result of sales of a large number of shares. Most of our Class A common stock that is held by non-affiliates can be sold without limitation under Rule 144 and certain holders of our Class A common stock are able to sell their shares in compliance with Rule 144. In addition, certain holders of our Class A common stock have the ability to cause us to register the resale of their shares, including, in the case of Eagle River Satellite Holdings, LLC (ERSH), shares of Class A common stock acquired upon conversion of their Class B common stock. These sales might also make it more difficult for us to sell shares in the future at a time and price that we deem appropriate.

The interests of our controlling stockholder may conflict with the interests of the holders of our Class A common stock.

ERSH, Eagle River Investments, LLC (Eagle River Investments), Eagle River, Inc. and Eagle River Partners, LLC (collectively Eagle River) control approximately 66% of the voting power of our outstanding capital stock. As a result, Eagle River has control over the outcome of matters requiring stockholder approval, including:

- the election of our directors;
- amendments to our charter and certain amendments to our bylaws; and
- the adoption or prevention of mergers, consolidations or the sale of all or substantially all of our assets or the assets of our subsidiaries.

Eagle River also will be able to delay, prevent or cause a change of control of us.

Eagle River Investments has made significant investments in other telecommunications companies and may in the future make additional investments. Some of these companies may compete with us. Eagle River Investments and ERSH are not obligated to advise us of any investment or business opportunities of which it is aware, and they are not restricted or prohibited from competing with us. Craig O. McCaw, a member of our Board of Directors, is the Chairman, Chief Executive Officer and sole manager and beneficial member of Eagle River Investments, which is the sole member of ERSH. Benjamin G. Wolff, our Chairman, Chief Executive Officer and President, is the President of Eagle River Investments, and is compensated by both Eagle River Investments and the Company.

We are a controlled company within the meaning of the NASD Marketplace Rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

Eagle River controls approximately 66% of the voting power of our outstanding capital stock. As a result, we are a controlled company within the meaning of the NASDAQ Global Market corporate governance standards. Under the NASD Marketplace Rules, a company of which more than 50% of the voting power is held by another company is a controlled company and may elect not to comply with certain NASDAQ Global Market corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the compensation of officers be determined, or recommended to the board of directors for determination, by a majority of the independent directors or a compensation committee comprised solely of independent directors, and (3) the requirement that director nominees be selected, or recommended for the board of directors selection, by a majority of the independent

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directors or a nominating committee comprised solely of independent directors with a written charter or board resolution addressing the nomination process. We currently utilize only the third of these exemptions, but reserve the right to utilize all three exemptions. As a result, our stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ Global Market corporate governance requirements.

The Tax Benefits Plan that we entered into on January 29, 2010, as well as certain provisions in our restated certificate of incorporation, may discourage takeovers, which could affect the rights of holders of our Class A common stock.

The Tax Benefits Plan we have in place is intended to act as a deterrent against any person or group acquiring or otherwise obtaining beneficial ownership of more than 4.9% of our securities without the approval of our Board of Directors. In addition, our restated certificate of incorporation provides that we will take all necessary and appropriate action to protect certain rights of our common stockholders that are set forth in the restated certificate of incorporation, including voting, dividend and conversion rights and their rights in the event of a liquidation, merger, consolidation or sale of substantially all of our assets. It also provides that we will not avoid or seek to avoid the observance or performance of those rights by charter amendment, entry into an inconsistent agreement or reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution or the issuance or sale of securities. In particular, these rights include our Class B common stockholder s right to ten votes per share on matters submitted to a vote of our stockholders and option to convert each share of Class B common stock into one share of Class A common stock. The provisions of the Tax Benefits Plan and our restated certificate of incorporation could discourage takeovers of our Company, which could adversely affect the rights of our stockholders.

We do not expect to pay cash dividends on our Class A or Class B common stock for the foreseeable future.

We have never paid a cash dividend on shares of our equity securities, and do not intend to pay any cash dividends on our Class A or Class B common shares in the foreseeable future.

Regulatory Risks

Ownership and Operation of the MEO Assets is subject to significant international governmental regulation.

Ownership and operation of our MEO Assets is subject to regulation by the ITU, Ofcom, and the FCC. In general, laws, policies and regulations affecting the satellite and wireless communications industries are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in the United States, the United Kingdom and at the ITU are considering or may consider, or may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect the operation of our MEO Assets or increase the cost of providing services over our MEO system. Any such changes could deter J&J or DISH Network from exercising their options to purchase the MEO Assets, and could discourage any other potential buyers from pursuing an acquisition of the MEO Assets.

Ownership and operation of the MEO Assets imposes indemnity liability on the operator of the MEO Assets.

The laws of the United Kingdom, and the laws of other ITU member countries, impose indemnification obligations on the operator of the MEO Assets in the event the in-orbit MEO satellite causes damage to another satellite in flight. Although we have procured third party liability insurance to meet this identification requirement, and J&J will be obligated to carry similar insurance, there is no assurance that J&J will comply with its obligations or that this insurance will cover any liability we may incur.

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Failure to adhere to the ITU s Radio Regulations could jeopardize satellite operations.

The ITU regulates 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.

Our MEO satellite system and claim to S-Band spectrum rights face substantial regulatory uncertainty.

There is considerable uncertainty as to how our MEO satellite system will be treated from an international regulatory standpoint. While we and J&J continue to have dialogue with the appropriate regulatory authorities, the fact that we have been unable to fully deploy our MEO satellite system continues to create regulatory uncertainty. In addition to our challenges with Ofcom and the ITU (as described above), we may be unable to maintain spectrum rights in Europe, depending upon our success in challenging Decision No. 626/2008/EC, under which the European Union granted European spectrum rights to two of our competitors, but denied our request for spectrum rights. We are currently challenging the EC Call Process in the European General Court, but the outcome of our challenge is very much in question, and if we fail, it is likely that neither we nor J&J will hold spectrum rights in Europe. The failure to procure European spectrum rights may prompt J&J or DISH Network to forego the exercise of its option, which in turn could force us to find an alternative method for divesting the MEO Assets.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters are located in Kirkland, Washington, where we occupy approximately 5,916 square feet of space under sublease. Upon expiration of our various leases, we do not anticipate any difficulty in obtaining renewals or alternative space.

The following table lists our leased properties as of December 31, 2010, both in the United States and in the United Kingdom:

Location	Operation	Lease Term	Square Footage (Approx.)
Kirkland, WA	U.S. Corporate Headquarters	Expires July 31, 2012	5,916
Reston, VA	Satellite Ground Network Engineering	Expires May 30, 2012	7,508
El Segundo, CA	Space Segment Engineering	Expires May 31, 2011	1,948
El Segundo, CA	Satellite Warehouse Facility	Expires November 30, 2012	23,959
Slough, Berkshire, U.K.	U.K. Registered Office(1)	Expires June 25, 2011	4,070
Slough, Berkshire, U.K.	Archive Warehouse	Expires June 23, 2012	2,685
Slough, Berkshire, U.K.	Service Offices	Expired February 28, 2011	484

(1) Also serves as the backup satellite control center for our MEO satellite and the network management center for our ground network.

In addition to our leased properties, we own approximately 42 acres in Itaborai, Brazil, on which certain gateway equipment for our MEO satellite system is located.

We believe our facilities are adequate for our current business and operations.

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Item 3. Legal Proceedings.

BSSI Litigation

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

On March 6, 2009, BSSI and Boeing appealed the trial court judgment to the California Court of Appeals. In order to stay enforcement of the judgment, Boeing posted a bond in the approximate amount of $904.0 million. In response, we cross-appealed the trial court s decision to overturn the jury s award of additional compensatory and punitive damages on our satellite pricing fraud claim against BSSI. Boeing filed its opening brief in the appellate proceedings on October 27, 2009. We filed our response brief and opening cross-appeal brief on March 22, 2010. BSSI and Boeing filed their reply to our brief and their response our cross-appeal on August 10, 2010. We then filed our reply brief on the cross-appeal on October 29, 2010. Oral argument is anticipated to be scheduled in the second or third quarter of 2011, with a written decision expected to be issued by the appellate court within 90 days thereafter. We cannot predict the outcome of the appeal process.

Through December 31, 2010, we have incurred costs of approximately $20.7 million to prosecute and defend the BSSI Litigation, and will incur additional consulting and legal fees to complete the appeal process. If and when the trial court judgment is affirmed and non-appealable, we will be obligated to pay our trial lawyers an additional fee equal to 3% of any recovery up to $250.0 million, and 5% of any recovery in excess of $250.0 million, less certain costs and fees advanced to them by us during the course of the BSSI Litigation.

Sprint BAS Relocation Claim

On December 13, 2010, Sprint filed a lawsuit against us in federal court in the Eastern District of Virginia (Sprint Lawsuit) to recover approximately $104 million of alleged Spectrum Clearing Costs. The Sprint Lawsuit is the outgrowth of Sprint s extensive lobbying to the FCC during the summer of 2010, when Sprint sought to obtain from the FCC a proclamation that ICO Global is obligated to reimburse Sprint for DBSD s share of Spectrum Clearing Costs. The FCC declined to issue such a proclamation, but instead issued its BAS Relocation Ruling, in which the FCC described circumstances under which affiliates of an FCC licensee may be liable for Spectrum Clearing Costs. On October 12, 2010, we appealed the BAS Relocation Ruling to the federal district court in Washington, D.C., but Sprint nonetheless filed the Sprint Lawsuit against us, premised on the argument that the BAS Relocation Ruling renders ICO Global responsible for DBSD s share of Spectrum Clearing Costs.

On February 3, 2011, we filed a motion to stay the Sprint Lawsuit pending resolution of our appeal of the BAS Relocation Ruling. On February 11, 2011, the court granted our motion, which will suspend the Sprint Lawsuit until our appeal of the BAS Relocation Ruling is resolved by the federal district court in Washington, D.C. We are drafting our initial appellate brief in support of our appeal of the BAS Relocation Ruling detailing the reasons why the FCC exceeded its regulatory authority in issuing the BAS Relocation Ruling and further detailing the reasons why the BAS Relocation Ruling cannot be retroactively applied to us.

Meanwhile, we recently entered into the Implementation Agreement with DISH Network, under which DISH Network provided the BAS Indemnity, which is an agreement to indemnify us from any responsibility for Spectrum Clearing Costs. In light of the BAS Indemnity, we do not anticipate significant additional costs or damages from the Sprint Lawsuit. Rather, we will cooperate with DISH Network to determine whether to continue our aggressive challenge of the BAS Relocation Ruling and our aggressive defense of the Sprint Lawsuit. We cannot predict the outcome of our appeal of the BAS Relocation Ruling or the outcome of the Sprint Lawsuit.

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Deutsche Telekom AG has initiated involuntary bankruptcy proceedings against IHB

IHB is our indirect Netherlands subsidiary that was primarily responsible for coordinating and facilitating our gateway development. IHB procured funding for its gateway subsidiaries, and coordinated such subsidiaries development of their respective gateways. In the coordination process, IHB and its subsidiaries incurred significant obligations to gateway partners, including Deutsche Telekom AG, its German partner (DT), which are reflected as liabilities in our consolidated balance sheet as of December 31, 2010. IHB and its subsidiaries have been unable to timely fulfill those obligations and, with little or no prospect for additional funding from its parent corporation, it is highly unlikely that IHB will be able to fulfill such obligations in the future. As a result, on January 12, 2011, DT filed an involuntary bankruptcy petition against IHB in the Netherland courts. If IHB is unable to convince DT to voluntarily dismiss the petition, then IHB might apply for suspension of payments, which is a pre-cursor to a voluntary liquidation. We do not anticipate that ICO Global will have any responsibility for IHB s obligations, but if DT attempts to hold ICO Global responsible for IHB s obligations, we may incur fees and settlement costs.

Item 4. Removed and Reserved.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market for Our Class A Common Stock

Our Class A common stock trades on the Nasdaq Global Market under the symbol ICOG.

The table below sets forth the high and low sales prices of our Class A common stock in U.S. dollars for each of the periods presented. Stock prices represent amounts published on the Nasdaq Global Market. As of March 11, 2011, the closing sales price of our Class A common stock was $1.94 per share.

	2010		2009	
Period	**High**	**Low**	**High**	**Low**
First Quarter	$ 1.64	$ 1.05	$ 1.70	$ 0.20
Second Quarter	$ 1.88	$ 1.16	$ 0.95	$ 0.34
Third Quarter	$ 2.02	$ 1.20	$ 1.74	$ 0.44
Fourth Quarter	$ 1.90	$ 1.38	$ 1.45	$ 0.62

As of March 11, 2011, there were approximately 341 record holders of our Class A common stock.

Market for Our Class B Common Stock

There is no established trading market for our Class B common stock, of which we have 53,660,000 shares outstanding with two holders of record, and 1,555,000 shares underlying outstanding Class B common stock options. Each share of Class B common stock is convertible at any time at the option of its holders into one share of Class A common stock.

Dividends

We have never paid a cash dividend on shares of our equity securities. We do not intend to pay any cash dividends on our common shares during the foreseeable future. It is anticipated that future earnings, if any, from our operations will be used to finance growth.

Unregistered Sales of Equity Securities and Use of Proceeds

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

Date	**Title**	**Number of shares**
December 1, 2010	Class A common stock	82,781(1)

(1) Issued as compensation to Eagle River, Inc., for advisory services performed from September 1, 2010 through November 30, 2010.

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Use of Proceeds

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

As of December 31, 2010, the remaining proceeds from the Rights Offering, after deducting fees, are reflected in cash and cash equivalents on the Company s consolidated balance sheet. Through December 31, 2010, the Company has used approximately $9 million of the net proceeds from the Rights Offering to fund ongoing operational expenses. We may also use a portion of the proceeds to acquire or invest in other businesses, products or technologies, which may or may not be related to our historical business activities, as well as for capital expenditures. Pending these uses, we expect to hold the amounts in cash or invest the remaining net proceeds in short-term, investment-grade securities.

Issuer Purchases of Equity Securities

None.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and accompanying notes included in this Form 10-K.

	Year Ended December 31,				
	2010(1)	**2009(1)**	**2008**	**2007**	**2006**
	(in thousands, except per share data)				
Operating expenses:					
General and administrative	$ 16,186	$ 38,803	$ 54,771	$ 43,651	$ 36,100
Research and development		1,644	5,080	7,738	6,603
Contract settlements(2)	(15,666)				
(Gain) loss on disposal of assets			17		(8)
Operating expenses, net	520	40,447	59,868	51,389	42,695
Operating loss	(520)	(40,447)	(59,868)	(51,389)	(42,695)
Net interest expense	(4,316)	(36,252)	(36,262)	(24,492)	(25,773)
Gain on deconsolidation of DBSD		280,971			
Gain on liquidation of subsidiaries	2,459			860	
Other income (expense)	(1,094)	(7,286)	(4,175)	878	853
Income (loss) before income taxes	(3,471)	196,986	(100,305)	(74,143)	(67,615)
Income tax benefit (expense)	787	(1,508)	(2,872)	(1,175)	(202)
Net income (loss)	$ (2,684)	$ 195,478	$ (103,177)	$ (75,318)	$ (67,817)
Basic and diluted income (loss) per share	$ (0.01)	$ 0.94	$ (0.51)	$ (0.38)	$ (0.34)
Total assets	$ 45,577	$ 30,308	$ 663,964	$ 602,133	$ 646,600
Long-term obligations, including current portion of capital lease obligations(3)	$ 27,921	$ 31,557	$ 40,382	$ 685,263	$ 646,392

(1) DBSD was deconsolidated from our financial operating results effective May 15, 2009. Accordingly, our results of operations for the year ended December 31, 2010 do not include any DBSD operating activity and our results of operations for the year ended December 31, 2009

include only 4.5 months of DBSD operating activity.

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(2) Certain of our subsidiaries had agreements with ten operators of gateways for our MEO satellite system. Nine of the ten operators have terminated their agreements with us. Of these nine, five have been settled with no further obligation by us. With respect to the gateways that have not been settled, we have continued to accrue expenses according to our subsidiaries contractual obligation until such obligations have been released and the operator has ceased providing services, although in most instances our subsidiaries have suspended or significantly reduced actual payments to the operators. In 2010, upon reaching settlement with our Mexico operator, pursuant to which the operators claims were legally released, we eliminated the accrued liability and recognized a gain on contract settlement of $15.7 million.

(3) In August 2008, the $650 million aggregate principal amount of convertible notes due in August 2009 (DBSD 2009 Notes) were reclassified from long-term to current convertible debt on our consolidated balance sheets.

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

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

Special Note Regarding Forward-Looking Statements

With the exception of historical facts, the statements contained in this management s discussion and analysis are forward-looking statements. All of these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Factors that might cause or contribute to such a difference include, but are not limited to, those discussed under Item 1A. of Part I Risk Factors, Risks and Uncertainties below and elsewhere in this Form 10-K. The forward-looking statements included in this document are made only as of the date of this report, and we undertake no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Overview

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

In light of these challenges, we entered into the J&J Option on February 11, 2011, pursuant to which we granted to J&J an option to acquire substantially all of our remaining MEO Assets during the period from April 1, 2011 through September 1, 2011. The J&J Option expires on or before September 1, 2011, and can be terminated by either party prior to expiration under certain circumstances. If J&J exercises its option, its acquisition and operation of the MEO Assets will be conditioned upon certain regulatory approvals and cooperation from various governmental agencies and third parties, as discussed below.

In addition to granting the J&J Option, as part of our Implementation Agreement with DISH Network, we granted to DISH Network the DISH Option, which is a contingent back-up option to acquire the MEO Assets if J&J does not exercise the J&J Option. The DISH Option is part of a comprehensive package of consideration that we provided to DISH Network under the agreements, for which DISH Network is not required to pay us any consideration other than the $325 million that DISH Network is already obligated to pay us.

If neither J&J nor DISH Network exercise their option, we will likely decommission F2 and begin the process of disposing of our other remaining MEO Assets.

We believe that J&J s decision to exercise its option to purchase the MEO Assets will be driven in part by J&J s ability to convince BSSI to work with them to complete the unfinished MEO satellites, and in part by J&J s success in overcoming our continuing regulatory challenges in the United Kingdom. In that regard, Ofcom (as our administrative body to the ITU) has stated its intent to write to the ITU to instruct that the ICO-P assignments currently recorded in the ITU Master Register be cancelled. Further complicating the situation is the EC Call Process, through which we were denied any spectrum allocation in Europe. We are appealing both the Ofcom decision and the EU decision, but our prospects on appeal remain uncertain. If we lose the appeal and the Ofcom letter is sent, it may decrease the chance that J&J will exercise its option.

Regardless of whether J&J exercises its option, DBSD will receive from us the benefit of certain spectrum priority rights (Priority Rights) and coordination commitments related to S-band frequencies in North America, so long as the ICO-P filing is recorded in the ITU Master Registry. The Priority Rights are more fully described in the license agreement that we have agreed to sign as part of the Implementation Agreement, and include a continuing obligation to coordinate the deployment of our MEO system with DBSD s GEO satellite system.

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

We maintain a cost basis investment of $23.6 million in DBSD, but the recent signing of the Amended Investment Agreement, Implementation Agreement and Restructuring Support Agreement indicates a fair value of our interest in DBSD that significantly exceeds our cost basis. Pursuant to the terms of these agreements, we will recognize a substantial gain on the disposition of our DBSD interest, and a significant cash infusion from DISH Network. We believe that all or substantially all of the gain or income resulting from the payments from DISH Network will be offset by our NOLs, resulting in little, if any, income tax liability.

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

Critical Accounting Policies

The accounting policies described below are considered critical in preparing our consolidated financial statements. Critical accounting policies require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. The judgments and uncertainties affecting the application of these policies include significant estimates and assumptions made by us using information available at the time the estimates are made. Actual results could differ materially from those estimates. Our critical accounting policies involve judgments associated with our accounting for the fair value of financial instruments (including our investment in DBSD), asset impairment, contract settlements, stock-based compensation, income taxes and contingencies, each of which is described below.

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Fair Value of Financial Instruments. We determine the fair value of our financial instruments based on the hierarchy established by ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) (formerly SFAS No. 157, *Fair Value Measurements)*. The three levels of inputs used to measure fair value are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Quoted prices in active markets for similar assets and liabilities or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

In determining the fair value of our investment in DBSD as of December 31, 2010, we considered several valuation methodologies, including a spectrum transaction analysis based upon the value of relevant spectrum auctions and transactions. Additionally, in connection with the DBSD bankruptcy proceedings, we engaged in negotiations with third parties interested in obtaining our equity interest in DBSD. The fair value of our investment in DBSD as of December 31, 2010 was ultimately determined based on the estimated value of the consideration we expect to receive from DISH Network for our equity interest in DBSD, subject to the allocation of the total purchase price to the various assets based on good faith negotiations between the parties. In determining the fair value of our investment in DBSD as of December 31, 2009, we utilized a market comparable analysis and a spectrum transaction analysis. The valuation methodologies utilized were based on both observable and unobservable inputs within the hierarchy established in ASC 820.

Impairment. We evaluate our cost method investment in DBSD for impairment on a quarterly basis in accordance with ASC 325, *Cost Method Investments* (ASC 325), which specifically addresses accounting for cost method investments subsequent to initial measurement. In assessing impairment under ASC 325, we consider various factors that might indicate whether a decrease in the value of our cost method investment in DBSD has occurred. We recognize losses when a decline in the fair value of our investment in DBSD below its cost basis is determined to be other-than-temporary.

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

Share-Based Payment. We record stock-based compensation in accordance with ASC 718, *Stock Compensation* (ASC 718) (formerly SFAS No. 123 (revised 2004), *Share-Based Payment*). ASC 718 requires measurement of all share-based payment awards based on the estimated fair value on the date of grant and recognition of compensation cost over the requisite service period for awards expected to vest.

We record stock-based compensation on restricted stock awards and stock options issued to employees, directors and consultants. Determining the appropriate fair value model and calculating the fair value of share-based awards at the date of grant requires judgment. The fair value of restricted stock awards is determined based on the number of shares granted and the quoted market price of our Class A common stock on the date of grant. The fair value of stock options is estimated on the date of grant using the Black-Scholes option pricing model (Black-Scholes Model) based on the single option award approach. Option pricing models, including Black-Scholes, require the use of input assumptions, including expected volatility, risk-free interest rate, expected dividend yield, expected term and expected forfeiture rates. The expected volatility is based upon our historical stock price volatility, which we believe is a reasonable indicator of expected volatility. The risk-free interest rate is based upon U.S. Treasury bond interest rates appropriate for the term of our stock options. The expected

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dividend yield is based on our history and expectation of dividend payments. The expected term has been estimated using the simplified method as described in ASC 718 which permits entities, under certain circumstances, to continue to use the simplified method in developing estimates of the expected term of plain-vanilla share options. We estimate our forfeiture rate for restricted stock awards and stock options based on our historical rate of forfeitures due to terminations and the fact that we have a limited number of employees, and expectations for forfeitures in the future. With regards to performance-based restricted stock awards, we also estimate the probability of the relevant performance conditions being achieved during the service period.

Income Taxes. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits and deductions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

We must assess the likelihood that we will be able to recover our deferred tax assets. If recovery is not likely, we must record a valuation allowance against the deferred tax assets that we estimate will not ultimately be recoverable. Since our utilization of our deferred tax assets is dependent upon future taxable income that is not assured, we have recorded a valuation allowance sufficient to reduce the deferred tax assets to an amount that is more likely than not to be realized. However, should there be a change in our ability to recover our deferred tax assets, our tax provision would decrease in the period in which we determined that the recovery was more likely than not.

We account for uncertain tax positions in accordance with ASC 740, *Income Taxes* (formerly Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109)*. The application of income tax law is inherently complex. As such, we are required to make many assumptions and judgments regarding our income tax positions and the likelihood whether such tax positions would be sustained if challenged. Interpretations and guidance surrounding income tax laws and regulations change over time, and changes in our assumptions and judgments can materially affect amounts recognized in our consolidated financial statements.

Contingencies. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. ASC 450, *Contingencies* (formerly SFAS No. 5, *Accounting for Contingencies)*, requires that an estimated loss from a loss contingency such as a legal proceeding or claim should be accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our financial position, results of operations or cash flows.

Results of Operations

The following table is provided to facilitate the discussion of our results of operations for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	Year ended December 31,		
	2010(1)	**2009(1)**	**2008**
General and administrative expenses	$ 16,186	$ 38,803	$ 54,771
Research and development expenses		1,644	5,080
Contract settlements	(15,666)		
Loss on disposal of assets			17
Interest income	(18)	(543)	(4,803)
Interest expense	4,334	36,795	41,065
Gain on deconsolidation of DBSD		(280,971)	
Gain on liquidation of subsidiaries	(2,459)		
Other expense	1,094	7,286	4,175
Income tax (benefit) expense	(787)	1,508	2,872

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(1) DBSD was deconsolidated from our financial operating results effective May 15, 2009. Accordingly, our results of operations for the year ended December 31, 2010 do not include any DBSD operating activity and our results of operations for the year ended December 31, 2009 include only 4.5 months of DBSD operating activity.

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

General and administrative expenses decreased $22.6 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. Approximately $20.9 million of this decrease was a result of the deconsolidation of DBSD effective May 15, 2009. The remaining net decrease of $1.7 million is primarily due to a $1.8 million reduction in non-cash stock-based compensation expense, reflecting the revaluation of the majority of our stock awards as a result of the deconsolidation of DBSD, and a $786,000 reduction in gateway operating expenses. The decrease is partially offset by higher employment-related expenses in the current year.

General and administrative expenses decreased $16.0 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. Approximately $19.0 million of the net decrease in general administrative expenses is directly attributable to the deconsolidation of DBSD effective May 15, 2009. The remaining $3.0 million net increase in general and administrative expenses reflects approximately $7.0 million of satellite in-orbit insurance expenses recognized in 2009 and a $2.6 million reduction in costs associated with legal matters and other professional fees (primarily substantial costs incurred in 2008 pertaining to the Boeing litigation, partially offset by costs incurred in 2009 associated with DBSD legal matters prior to deconsolidation).

Research and Development Expenses. Research and development expenses primarily consist of third-party engineering, consulting and development costs associated with technology being considered for use in the DBSD MSS/ATC System and ICO mim service and were incurred by DBSD prior to deconsolidation on May 15, 2009.

Research and development expenses decreased $1.6 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. This decrease is due to a reduction in design and development activities related to the DBSD MSS/ATC System and ICO mim service as a result of the deconsolidation of DBSD effective May 15, 2009.

Research and development expenses decreased $3.4 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. This decrease is due to a $3.1 million reduction in design and development activities related to the DBSD MSS/ATC System as a result of the deconsolidation of DBSD effective May 15, 2009 and a $325,000 reduction in costs associated with the evaluation of our MEO satellite system.

Contract Settlements. During the fourth quarter of 2010, one of our subsidiaries reached a settlement agreement with its Gateway Operator in Mexico whereby in exchange for the transfer of certain gateway equipment our subsidiary was released from approximately $15.7 million in outstanding liabilities associated with the related Gateway Operating Agreement. The equipment transferred under the settlement agreement had previously been determined to have no value for accounting purposes and we recognized a gain on contract settlement of approximately $15.7 million.

Interest Income. Interest income for the year ended December 31, 2010 was nominal and reflects interest income earned on investment of proceeds from the Rights Offering. Interest income for the year ended December 31, 2009 and 2008 is primarily attributable to interest earned on the remaining investment of proceeds from the DBSD 2009 Notes, the DBSD $40 million working capital facility due in May 2009 (DBSD 2009 Credit Facility) and the series of securities purchase agreements entered into during June 2008.

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Interest income decreased $525,000 for year ended December 31, 2010 compared to the year ended December 31, 2009. This decrease is primarily due to a reduction in our cash, cash equivalents, and investment balances subsequent to the deconsolidation of DBSD. DBSD has been excluded from our operating results since May 15, 2009.

Interest income decreased $4.3 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. This decrease is primarily due to a reduction in our cash, cash equivalents, and investment balances prior to the deconsolidation of DBSD reflecting continued development of the DBSD MSS/ATC System and ICO mim service, as well as lower cash and investment balances subsequent to the deconsolidation of DBSD. DBSD has been excluded from our operating results since May 15, 2009 and we no longer include interest income earned on any cash and investments held by DBSD after May 15, 2009.

Interest Expense. Interest expense for the year ended December 31, 2010 consists primarily of interest costs resulting from capital lease obligations associated with certain of our MEO gateway sites. Interest expense for the years ended December 31, 2009 and 2008 is primarily comprised of interest incurred and the amortization of debt issuance costs related to the DBSD 2009 Notes and DBSD 2009 Credit Facility, amortization of the debt discount associated with the DBSD 2009 Notes, and interest costs resulting from capital lease obligations associated with certain of our MEO gateway sites.

Interest expense decreased $32.5 million for the year ended December 31, 2010 compared to the year ended December 31, 2009. This decrease is primarily the result of the deconsolidation of DBSD. DBSD has been excluded from our operating results since May 15, 2009.

Interest expense decreased $4.3 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. The decrease is primarily the result of the deconsolidation of DBSD effective May 15, 2009, partially offset by a reduction in capitalized interest costs associated with the construction of the DBSD MSS/ATC System and ICO mim service in 2009 prior to the deconsolidation of DBSD.

Gain on Deconsolidation of DBSD. During 2009, we recognized a gain of $281.0 million associated with the deconsolidation of DBSD as a result of its bankruptcy filing on May 15, 2009.

Gain on Liquidation of Subsidiaries. In December 2010, we recognized a $2.5 million net gain resulting from the substantial liquidation of certain subsidiaries that we abandoned after determining they had no future business purpose. We did not liquidate any subsidiaries during the years ended December 31, 2009 and 2008.

Other Expense. Other expense for the year ended December 31, 2010 is comprised primarily of $1.0 million of costs associated with reimbursements due to DBSD for their respective share of stock awards that ultimately failed to vest.

Other expense for the year ended December 31, 2009 is comprised primarily of net realized and unrealized losses of $4.2 million through May 15, 2009 associated with investments in auction rate securities (ARS) held by DBSD, as well as losses on foreign currency transactions of $3.1 million.

Other expense for the year ended December 31, 2008 is comprised primarily of net realized and unrealized losses associated with ARS investments held by DBSD of $14.9 million, partially offset by $5.1 million of other income attributable to a put option associated with a settlement agreement with UBS Financial Services, Inc. (UBS) whereby UBS agreed to purchase certain ARS it sold to DBSD (ARS Put Option), gains on foreign currency transactions of $3.2 million, a $1.8 million reimbursement from UBS for losses incurred on the sale of ARS subject to the settlement agreement, and the recovery of value-added taxes of $679,000 that were previously written off.

Income Tax (Benefit) Expense. Income tax benefit for the year ended December 31, 2010 is primarily due to expiration of the statute of limitations associated with previously recorded uncertain tax positions, including interest and penalties. Income tax expense for the years ended December 31, 2009 and 2008 is comprised primarily of the accrual of possible interest and penalties related to uncertain tax positions.

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

Liquidity and Capital Resources

Overview. Our primary expected cash needs for the next twelve months are for the ongoing operating costs associated with our MEO satellite system, professional fees associated with various legal and regulatory proceedings, and other general corporate purposes. If neither we nor J&J terminate the J&J Option prior to April 1, 2011, J&J will reimburse us for the expenses of operating the MEO satellite system with retroactive effect to January 14, 2011, until the purchase of the MEO Assets is closed or the J&J Option is terminated. Assuming J&J exercises its option, and all necessary approvals and cooperation are achieved, J&J will pay us a nominal amount of cash and warrants to acquire a 5% equity interest in the entity that owns and operates the MEO Assets going forward. If J&J does not exercise the J&J Option, DISH Network may exercise the DISH Option under which DISH Network will assume responsibility for reimbursing us for the expense of operating the MEO satellite system, but will not be required to provide us any additional consideration for the transfer of the MEO Assets.

On March 9, 2010, we completed our Rights Offering, under which rights for a total of approximately 42.9 million shares were subscribed for by rights holders. We received gross proceeds of approximately $30 million from the Rights Offering, and have cash liquidity of $20.8 million as of December 31, 2010, which is currently expected to be utilized to fund our working capital needs for at least the next twelve months. We may also use a portion of our cash to acquire or invest in other businesses or assets, which may or may not be related to our historical business activities, as well as for capital expenditures.

On March 15, 2011, we entered into an Implementation Agreement and a Restructuring Agreement with DISH Network under which DISH Network has agreed to pay us approximately $325 million for our support of DISH Network s plan of reorganization for DBSD, certain spectrum priority rights, any distributions to us from DBSD, and the DISH Option. We expect to recognize a gain of approximately $301 million in 2011 associated with the disposition of our cost method investment in DBSD and other assets as a result of these agreements. With regards to the $325 million payment from DISH Network (i) $35 million is payable within five calendar days after the Bankruptcy Court s approval of the Investment Agreement (the Implementation Date), (ii) $280 million is payable on the Purchase Date, which is the date upon which DISH Network, via the Tender Offer, purchases greater than 50% of the DBSD 2009 Notes, and (iii) $10 million is payable upon DBSD s emergence from its pending Chapter 11 bankruptcy proceeding. On March 21, 2011, we received $35 million from DISH Network pursuant to the terms of the Implementation Agreement. If the Purchase Date does not occur within forty calendar days after the Implementation Date, we may accelerate all remaining amounts due from DISH Network, other than the $10 million deferred payment, upon three business days notice. In addition to these payments, DISH Network also agreed to indemnify us from all claims against and expenses incurred in connection with the BAS Claim (the BAS Indemnity). DISH Network s payment obligations under the Implementation Agreement and the BAS Indemnity are not subject to any further court action, approvals or DBSD s emergence from bankruptcy. On March 15, 2011, the Bankruptcy Court approved the Amended Investment Agreement between DISH Network and DBSD. We may use all or a portion of the proceeds to acquire or invest in other businesses or assets, which may or may not be related to our historical business activities.

As of December 31, 2010, we had a working capital deficit (current liabilities exceeded current assets) of approximately $33.8 million. This deficit is primarily due to our MEO gateway obligations of $50.4 million, which are classified as current liabilities due to their contractual commitments. Subject to the risks related to IHB s involuntary insolvency proceedings, we do not anticipate these gateway obligations to require significant cash payments during the next twelve months; however, the holders of these obligations could pursue collection actions against one or more of our consolidated subsidiaries.

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Cash Flows. The following table is provided to facilitate the discussion of our liquidity and capital resources for the years ended December 31, 2010 and 2009 (in thousands):

	Year ended December 31, 2010	2009
Net cash provided by (used in):		
Operating activities	$ (12,173)	$ (26,460)
Investing activities	(1,092)	4,295
Financing activities	29,173	(101)
Effect of foreign exchange rate changes on cash	(120)	(2,012)