

ICO Global Communications (Holdings) LTD

Form 10-Q

May 07, 2010

[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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)

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Delaware **98-0221142**
(State or other jurisdiction of **(IRS Employer**

incorporation or organization) **Identification No.)**
Plaza America Tower I, 11700 Plaza America Drive, Suite 1010, Reston, Virginia 20190

(Address of principal executive offices including zip code)

(703) 964-1400

(Registrant's telephone number, including area code)

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

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

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

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

As of May 3, 2010, the registrant had 199,832,681 shares of Class A common stock and 53,660,000 shares of Class B common stock outstanding.

Table of Contents

ICO GLOBAL COMMUNICATIONS (HOLDINGS) LIMITED

FORM 10-Q

For the three months ended March 31, 2010

INDEX

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements (unaudited):</u>	
<u>Condensed Consolidated Balance Sheets</u>	2
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Condensed Consolidated Statements of Changes in Stockholders' Deficiency in Assets</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	8
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	20
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	27
Item 4. <u>Controls and Procedures</u>	27
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	28
Item 1A. <u>Risk Factors</u>	28
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	28
Item 3. <u>Defaults Upon Senior Securities</u>	29
Item 4. <u>Removed and Reserved</u>	29
Item 5. <u>Other Information</u>	29
Item 6. <u>Exhibits</u>	29
<u>Signatures</u>	30
Certifications	

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

	March 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,897	\$ 4,983
Prepaid expenses and other current assets	848	1,039
Total current assets	31,745	6,022
Property in service net of accumulated depreciation of \$389 and \$347, respectively	341	383
Other assets	250	253
Investment in DBSD	23,650	23,650
Total	\$ 55,986	\$ 30,308
LIABILITIES AND STOCKHOLDERS DEFICIENCY IN ASSETS		
Current liabilities:		
Accounts payable	\$ 1,369	\$ 1,174
Accrued expenses	20,042	19,233
Payable to affiliates	1,392	1,292
Accrued interest	24,071	22,657
Capital lease obligations	18,575	18,385
Total current liabilities	65,449	62,741
Income tax	12,041	13,172
Total liabilities	77,490	75,913
Commitments and contingencies (Note 6)		
Stockholders' deficiency in assets:		
Preferred stock, \$.01 par value, 75,000,000 shares authorized, no shares issued or outstanding		
Class A common stock, \$.01 par value, 900,000,000 shares authorized, 257,990,197 and 213,014,265 shares issued, and 199,836,308 and 154,876,313 shares outstanding	2,580	2,130
Class B convertible common stock, \$.01 par value, 150,000,000 shares authorized, 84,663,382 shares issued and 53,660,000 shares outstanding	847	847
Additional paid-in capital	2,785,513	2,756,406
Treasury stock, 58,153,889 and 58,137,952 shares of Class A common stock and 31,003,382 shares of Class B convertible common stock	(877,656)	(877,648)
Accumulated other comprehensive loss	(8,026)	(7,223)
Deficit accumulated during the development stage	(1,924,762)	(1,920,117)

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Total stockholders	deficiency in assets	(21,504)	(45,605)
Total		\$ 55,986	\$ 30,308

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

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

	Three months ended March 31,		February 9, 2000 (inception) to March 31, 2010 (development stage period)
	2010	2009	
Operating expenses:			
General and administrative	\$ 4,546	\$ 17,014	\$ 717,379
Research and development		1,544	83,792
Contract settlements			(74,955)
Impairment of property under construction			1,438,304
Loss on disposal of assets			11,117
Total operating expenses	4,546	18,558	2,175,637
Operating loss	(4,546)	(18,558)	(2,175,637)
Interest income		421	138,267
Interest expense	(1,072)	(22,323)	(268,677)
Gain on deconsolidation of DBSD			280,971
Other expense	(752)	(5,369)	(6,750)
Loss before income taxes	(6,370)	(45,829)	(2,031,826)
Income tax benefit (expense)	1,725	(290)	116,796
Net loss before cumulative effect of change in accounting principle	(4,645)	(46,119)	(1,915,030)
Cumulative effect of change in accounting principle			(1,944)
Net loss	\$ (4,645)	\$ (46,119)	\$ (1,916,974)
Basic and diluted loss per share:			
Loss before cumulative effect of change in accounting principle	\$ (0.02)	\$ (0.22)	\$ (9.76)
Cumulative effect of change in accounting principle			(0.01)
Basic and diluted loss per share	\$ (0.02)	\$ (0.22)	\$ (9.77)
Weighted average shares outstanding used to compute basic and diluted loss per share	218,914,593	207,439,060	196,324,935

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

Table of Contents

ICO Global Communications (Holdings) Limited

(A Development Stage Enterprise)

Condensed Consolidated Statements of Comprehensive Loss

(In thousands, unaudited)

	Three months ended March 31,		February 9, 2000 (inception) to March 31, 2010 (development stage period)
	2010	2009	
Net loss	\$ (4,645)	\$ (46,119)	\$ (1,916,974)
Other comprehensive loss:			
Cumulative translation adjustments	(803)	1,590	(8,026)
Comprehensive loss	\$ (5,448)	\$ (44,529)	\$ (1,925,000)

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

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

	Three months ended March 31,		February 9, 2000 (inception) to March 31, 2010 (development stage period)
	2010	2009	
Operating activities:			
Net loss	\$ (4,645)	\$ (46,119)	\$ (1,916,974)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	327	1,424	46,846
Depreciation	32	102	4,552
Non-cash interest expense		4,978	54,638
Non-cash settlement of litigation matter			2,385
Gain on deconsolidation of DBSD			(280,971)
Unrealized foreign exchange (gains) losses	380	1,054	(5,043)
Losses on disposal of assets			11,117
Impairment of property under construction			1,438,304
Gain on contract settlements			(74,955)
Gain on Nextel share-pledge derivative			(9,168)
Deferred income tax credit			(122,031)
Realized losses on sales of investment securities		1,155	7,779
Unrealized losses on investment securities		2,462	11,378
Fair value adjustment for ARS Put Option		691	(4,442)
Amortization of capitalized Gateway Operator incentive			2,593
Cost of issuance of shares to distribution partners			37,440
Other	266		30,630
Other changes in certain assets and liabilities:			
Prepaid expenses and other current/non-current assets	175	5,302	46,202
Accounts payable	197	2,231	2,586
Accrued interest payable	1,346	17,262	88,435
Other accrued expenses	(778)	1,447	66,509
Net cash used in operating activities	(2,700)	(8,011)	(562,190)
Investing activities:			
Proceeds from launch insurance			225,000
Debtor in possession advance in relation to Old ICO			(275,000)
Acquisition of net assets of Old ICO			(117,590)
Cash received from Old ICO at acquisition			107,436
Restricted cash			(5,074)
Purchases of satellite system under construction		(3,974)	(414,618)
Purchases of property under construction			(497,890)
Purchases of property in service		(13)	(3,548)
Investments in unconsolidated subsidiaries			(6,221)
Payments to affiliates	(202)		(491)
Purchases of other assets			(14,000)
Purchases of investment securities			(4,404,343)
Maturities and sales of investment securities		5,995	4,332,756

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Purchases of restricted investments			(94,283)
Maturities and sales of restricted investments			94,305
Proceeds from contract amendments			44,434
Proceeds from sale of assets			12,106
Net cash provided by (used in) investing activities	(202)	2,008	(1,017,021)
Financing activities:			
Net proceeds from issuance of common stock			625,492
Net proceeds from issuance of convertible notes			620,442
Net proceeds from working capital facility			37,539
Proceeds from sales of subsidiary stock and stock options			9,920
Proceeds from Rights Offering, net of issuance costs	29,105		29,105
Payment of withholding taxes from stock awards	(31)	(91)	(968)
Advances from affiliates			324,395
Repayment of advances from affiliates			(324,395)
Repayment of note payable to Eagle River			(37,500)
Repayment of operator financing			(5,727)
Proceeds from pledge of Nextel shares			351,600
Proceeds from loan from Teledesic LLC			20,000
Acquisition of ICO shares from minority interest stockholder			(30,868)
Net cash provided by (used in) financing activities	29,074	(91)	1,619,035
Effect of foreign exchange rate changes on cash	(258)	(50)	(8,927)
Net increase (decrease) in cash and cash equivalents	25,914	(6,144)	30,897
Cash and cash equivalents beginning of period	4,983	29,261	
Cash and cash equivalents end of period	\$ 30,897	\$ 23,117	\$ 30,897

(continued)

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

	Three months ended March 31,		February 9, 2000 (inception) to March 31, 2010 (development stage period)
	2010	2009	
Supplemental disclosures:			
Income taxes paid	\$	\$	\$ 7,871
Interest paid		339	150,948
Capitalized interest		704	98,504
Supplemental disclosures of non-cash activities:			
Issuance of Class A common shares in respect of investment in Ellipso, Inc.			6,863
Issuance of Class B common shares in respect of investment in Ellipso, Inc.			74
Issuance of Class A common shares in respect of investment in Constellation Communications Holdings, Inc.			904
Issuance of Class A common shares for settlement of litigation matter			2,385
Issuance of Class A common shares for advisory services	125	125	2,153
Issuance of Class A common shares for stock-based compensation	26	107	3,853
Payment in form of ARS as compensation for advisory services			500
Decrease in accrued satellite system construction payable, net of liquidated damages		(956)	
Equipment acquired in capital lease agreements			42,096
Issuance of warrants for the repayment of debt			4,950
Interest payment on convertible debt in the form of additional notes		29,964	86,276
Investment in DBSD upon deconsolidation			23,650
Increase in payable to affiliates	252		1,834
The following securities of ICO arose from the acquisition of Old ICO's net assets:			
93,700,041 Class A common shares and options to acquire Class A common shares issued			679,873
31,003,382 Class B common shares issued			275,000
1,600,000 Class A common shares issued to distribution partners			16,720
200,000 Class A common shares committed to distribution partners			2,090
50,000,000 warrants issued to acquire Class A common shares			180,000

(concluded)

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

Table of Contents**ICO Global Communications (Holdings) Limited****(A Development Stage Enterprise)****Condensed Consolidated Statements of Changes in Stockholders Deficiency in Assets****(In thousands, except share data, unaudited)**

	Class A shares	Common stock Class B shares	Amount	Additional paid-in capital	Treasury stock	Accumulated other comprehensive income (loss)	Deficit accumulated during the development stage	Total stockholders deficiency in assets
Balance, December 31, 2008	154,006,103	53,660,000	\$ 2,967	\$ 2,790,967	\$ (877,545)	\$ 6,695	\$ (2,115,595)	\$ (192,511)
Issuance of Class A common stock for advisory services	500,000		5	120				125
Class A shares withheld at vesting to cover income tax withholding obligations	(89,803)				(71)			(71)
Stock-based compensation and issuance of restricted stock, net of forfeitures	(8,751)			1,423				1,423
Other comprehensive income						1,590		1,590
Net loss							(46,119)	(46,119)
Balance, March 31, 2009	154,407,549	53,660,000	\$ 2,972	\$ 2,792,510	\$ (877,616)	\$ 8,285	\$ (2,161,714)	\$ (235,563)
Balance, December 31, 2009	154,876,313	53,660,000	\$ 2,977	\$ 2,756,406	\$ (877,648)	\$ (7,223)	\$ (1,920,117)	\$ (45,605)
Issuance of Class A common stock for advisory services	105,932		1	124				125
Issuance of Class A common stock for Rights Offering, net of issuance costs	42,870,000		429	28,676				29,105
Class A shares withheld at vesting to cover income tax withholding obligations	(5,937)				(8)			(8)
Stock-based compensation and issuance of restricted stock, net of forfeitures	1,990,000		20	307				327
Other comprehensive loss						(803)		(803)
Net loss							(4,645)	(4,645)
Balance, March 31, 2010	199,836,308	53,660,000	\$ 3,427	\$ 2,785,513	\$ (877,656)	\$ (8,026)	\$ (1,924,762)	\$ (21,504)

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

Table of Contents

ICO Global Communications (Holdings) Limited