

**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 SEPTEMBER 30, 2022.**

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: 333-179121



Hughes Satellite Systems Corporation

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

45-0897865

(I.R.S. Employer Identification No.)

100 Inverness Terrace East, Englewood, Colorado

(Address of principal executive offices)

80112-5308

(Zip Code)

(303) 706-4000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Emerging growth company

Non-accelerated filer

Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 October 20, 2022, the registrant's outstanding common stock consisted of 1,078 shares of common stock, \$0.01 par value per share.

The Registrant meets the conditions set forth in General Instructions (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format.

* The Registrant currently is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 and is filing this Quarterly Report on Form 10-Q on a voluntary basis. The Registrant 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 as if it were subject to such filing requirements during such period.

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* This item has been omitted pursuant to the reduced disclosure format as set forth in General Instructions (H)(2) of Form 10-Q.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including but not limited to statements about our estimates, expectations, future developments, plans, objectives, strategies, financial condition, expected impact of regulatory developments and legal proceedings, opportunities in our industries and businesses and other trends and projections for the next fiscal quarter and beyond. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements may also be identified by words such as “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “estimate,” “expect,” “predict,” “project,” “continue,” “future,” “will,” “would,” “could,” “can,” “may” and similar terms. These forward-looking statements are based on information available to us as of the date of this Form 10-Q and represent management’s current views and assumptions based on past experience and trends, current economic and industry conditions, expected future developments and other relevant factors. Forward-looking statements are not guarantees of future performance, events or results and involve potential known and unknown risks, uncertainties, including the impact of the coronavirus pandemic (COVID-19), and other factors, many of which may be beyond our control and may pose a risk to our operating and financial condition both the near- and long-term. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors including, but not limited to:

- significant risks related to our ability to operate and control our satellites, operational and environmental risks related to our owned and leased satellites, and risks related to our satellites under construction;
- our ability and the ability of third parties with whom we engage to operate our business as a result of the COVID-19 pandemic, including regulatory and competitive considerations;
- our ability to implement and/or realize benefits of our investments and other strategic initiatives;
- legal proceedings relating to the BSS Transaction or other matters that could result in substantial costs and material adverse effects to our business;
- risks related to our foreign operations and other uncertainties associated with doing business internationally;
- risks related to our dependency upon third-party providers; and
- risks related to our human capital resources.

Other factors that could cause or contribute to such differences include, but are not limited to, those discussed under the caption Risk Factors in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K (“Form 10-K”) filed with the Securities and Exchange Commission (“SEC”), those discussed in Management’s Narrative Analysis of Results of Operations in Part I, Item 2 of this Form 10-Q and in Part II, Item 7 of our Form 10-K and those discussed in other documents we file with the SEC.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Although we believe that the expectations reflected in any forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. We do not assume responsibility for the accuracy and completeness of any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in any documents we file with the SEC, except as required by law.

Should one or more of the risks or uncertainties described herein or in any documents we file with the SEC occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS(Amounts in thousands, except share and per share amounts)
(Unaudited)

	As of	
	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 829,726	\$ 429,168
Marketable investment securities	493,310	854,502
Trade accounts receivable and contract assets, net	243,683	182,063
Other current assets, net	265,364	276,844
Total current assets	1,832,083	1,742,577
Non-current assets:		
Property and equipment, net	1,401,602	1,523,447
Operating lease right-of-use assets	146,902	148,221
Goodwill	532,570	511,086
Regulatory authorizations, net	408,542	408,959
Other intangible assets, net	16,323	13,984
Other investments, net	84,785	91,226
Other non-current assets, net	281,214	302,840
Total non-current assets	2,871,938	2,999,763
Total assets	\$ 4,704,021	\$ 4,742,340
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade accounts payable	\$ 92,848	\$ 105,477
Contract liabilities	127,584	141,343
Accrued expenses and other current liabilities	282,062	308,879
Total current liabilities	502,494	555,699
Non-current liabilities:		
Long-term debt, net	1,496,578	1,495,994
Deferred tax liabilities, net	358,267	334,406
Operating lease liabilities	132,365	134,001
Other non-current liabilities	135,234	153,251
Total non-current liabilities	2,122,444	2,117,652
Total liabilities	2,624,938	2,673,351
Commitments and contingencies		

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)
(Unaudited)

Shareholder's equity:		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized, none issued and outstanding at both September 30, 2022 and December 31, 2021	—	—
Common stock, \$0.01 par value, 1,000,000 shares authorized, 1,078 shares issued and outstanding at both September 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	1,478,857	1,489,776
Accumulated other comprehensive income (loss)	(182,785)	(173,381)
Accumulated earnings (losses)	686,792	692,341
Total Hughes Satellite Systems Corporation shareholder's equity	1,982,864	2,008,736
Non-controlling interests	96,219	60,253
Total shareholder's equity	2,079,083	2,068,989
Total liabilities and shareholder's equity	\$ 4,704,021	\$ 4,742,340

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Services and other revenue	\$ 403,162	\$ 434,648	\$ 1,240,566	\$ 1,300,956
Equipment revenue	96,004	71,920	263,341	192,715
Total revenue	499,166	506,568	1,503,907	1,493,671
Costs and expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	143,319	136,176	425,289	405,138
Cost of sales - equipment (exclusive of depreciation and amortization)	74,328	62,326	213,481	161,968
Selling, general and administrative expenses	105,518	103,455	323,961	311,841
Research and development expenses	9,181	7,974	25,562	22,960
Depreciation and amortization	103,648	113,722	327,190	348,689
Impairment of long-lived assets	—	—	—	210
Total costs and expenses	435,994	423,653	1,315,483	1,250,806
Operating income (loss)	63,172	82,915	188,424	242,865
Other income (expense):				
Interest income, net	8,881	2,032	15,440	6,108
Interest expense, net of amounts capitalized	(22,787)	(23,943)	(69,261)	(102,948)
Gains (losses) on investments, net	—	8	214	2,102
Equity in earnings (losses) of unconsolidated affiliates, net	(1,426)	(1,167)	(4,441)	(4,197)
Foreign currency transaction gains (losses), net	(2,087)	(6,297)	1,690	(9,122)
Other, net	(256)	664	(684)	1,680
Total other income (expense), net	(17,675)	(28,703)	(57,042)	(106,377)
Income (loss) before income taxes	45,497	54,212	131,382	136,488
Income tax benefit (provision), net	(15,695)	(19,857)	(45,667)	(48,843)
Net income (loss)	29,802	34,355	85,715	87,645
Less: Net loss (income) attributable to non-controlling interests	2,854	3,192	8,736	6,419
Net income (loss) attributable to HSSC	\$ 32,656	\$ 37,547	\$ 94,451	\$ 94,064

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands)
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 29,802	\$ 34,355	\$ 85,715	\$ 87,645
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(16,452)	(30,215)	(8,909)	(21,897)
Unrealized gains (losses) on available-for-sale securities	327	(235)	(189)	(205)
Other	—	(99)	—	(99)
Amounts reclassified to net income (loss):				
Realized losses (gains) on available-for-sale debt securities	—	(5)	3	(5)
Total other comprehensive income (loss), net of tax	(16,125)	(30,554)	(9,095)	(22,206)
Comprehensive income (loss)	13,677	3,801	76,620	65,439
Less: Comprehensive loss (income) attributable to non-controlling interests	5,108	8,760	8,427	9,257
Comprehensive income (loss) attributable to HSSC	<u>\$ 18,785</u>	<u>\$ 12,561</u>	<u>\$ 85,047</u>	<u>\$ 74,696</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Amounts in thousands)

(Unaudited)

	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Losses)	Non-controlling Interests	Total
Balance, June 30, 2021	\$ 1,488,314	\$ (141,222)	\$ 728,087	\$ 74,299	\$ 2,149,478
Stock-based compensation	745	—	—	—	745
Contribution by non-controlling interest holder	—	—	—	—	—
Other comprehensive income (loss)	—	(24,986)	—	(5,568)	(30,554)
Net income (loss)	—	—	37,547	(3,192)	34,355
Balance, September 30, 2021	<u>\$ 1,489,059</u>	<u>\$ (166,208)</u>	<u>\$ 765,634</u>	<u>\$ 65,539</u>	<u>\$ 2,154,024</u>
Balance, June 30, 2022	\$ 1,477,604	\$ (168,914)	\$ 654,136	\$ 101,327	\$ 2,064,153
Stock-based compensation	1,253	—	—	—	1,253
Issuance of equity and contribution of assets pursuant to the India JV formation	—	—	—	—	—
Dividend paid to EchoStar	—	—	—	—	—
Other comprehensive income (loss)	—	(13,871)	—	(2,254)	(16,125)
Net income (loss)	—	—	32,656	(2,854)	29,802
Balance, September 30, 2022	<u>\$ 1,478,857</u>	<u>\$ (182,785)</u>	<u>\$ 686,792</u>	<u>\$ 96,219</u>	<u>\$ 2,079,083</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Amounts in thousands)

(Unaudited)

	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Losses)	Non-controlling Interests	Total
Balance, December 31, 2020	\$ 1,486,730	\$ (146,840)	\$ 671,570	\$ 64,916	\$ 2,076,376
Stock-based compensation	2,329	—	—	—	2,329
Contribution by non-controlling interest holder	—	—	—	9,880	9,880
Other comprehensive income (loss)	—	(19,368)	—	(2,838)	(22,206)
Net income (loss)	—	—	94,064	(6,419)	87,645
Balance, September 30, 2021	<u>\$ 1,489,059</u>	<u>\$ (166,208)</u>	<u>\$ 765,634</u>	<u>\$ 65,539</u>	<u>\$ 2,154,024</u>
Balance, December 31, 2021	\$ 1,489,776	\$ (173,381)	\$ 692,341	\$ 60,253	\$ 2,068,989
Stock-based compensation	3,171	—	—	—	3,171
Issuance of equity and contribution of assets pursuant to the India JV formation	(14,090)	—	—	44,393	30,303
Dividend paid to EchoStar	—	—	(100,000)	—	(100,000)
Other comprehensive income (loss)	—	(9,404)	—	309	(9,095)
Net income (loss)	—	—	94,451	(8,736)	85,715
Balance, September 30, 2022	<u>\$ 1,478,857</u>	<u>\$ (182,785)</u>	<u>\$ 686,792</u>	<u>\$ 96,219</u>	<u>\$ 2,079,083</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	For the nine months ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 85,715	\$ 87,645
Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities:		
Depreciation and amortization	327,190	348,689
Impairment of long-lived assets	—	210
Losses (gains) on investments, net	(214)	(2,102)
Equity in losses (earnings) of unconsolidated affiliates, net	4,441	4,197
Foreign currency transaction losses (gains), net	(1,690)	9,122
Deferred tax provision (benefit), net	21,020	32,667
Stock-based compensation	3,171	2,329
Amortization of debt issuance costs	582	2,192
Other, net	27,647	17,548
Changes in assets and liabilities, net:		
Trade accounts receivable and contract assets, net	(63,508)	(20,888)
Other current assets, net	12,348	(276)
Trade accounts payable	(7,083)	(13,452)
Contract liabilities	(13,759)	30,066
Accrued expenses and other current liabilities	(30,115)	(106,604)
Non-current assets and non-current liabilities, net	(19,857)	65,177
Net cash provided by (used for) operating activities	345,888	456,520
Cash flows from investing activities:		
Purchases of marketable investment securities	(506,329)	(1,329,862)
Sales and maturities of marketable investment securities	866,353	1,669,757
Expenditures for property and equipment	(176,665)	(228,641)
Expenditures for externally marketed software	(16,926)	(25,634)
Sales of other investments	—	9,451
India JV formation	(7,892)	—
Dividend received from unconsolidated affiliate	2,000	—
Net cash provided by (used for) investing activities	160,541	95,071
Cash flows from financing activities:		
Repurchase and maturity of the 2021 Senior Unsecured Notes	—	(901,818)
Payment of finance lease obligations	(114)	(578)
Payment of in-orbit incentive obligations	(2,422)	(1,800)
Contribution by non-controlling interest holder	—	9,880
Dividend paid to EchoStar	(100,000)	—
Other, net	—	(966)
Net cash provided by (used for) financing activities	(102,536)	(895,282)
Effect of exchange rates on cash and cash equivalents	(3,007)	(2,986)
Net increase (decrease) in cash and cash equivalents	400,886	(346,677)
Cash and cash equivalents, including restricted amounts, beginning of period	430,148	741,297
Cash and cash equivalents, including restricted amounts, end of period	\$ 831,034	\$ 394,620

The accompanying notes are an integral part of these Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. ORGANIZATION AND BUSINESS ACTIVITIES**Principal Business**

Hughes Satellite Systems Corporation (which, together with its subsidiaries, is referred to as “HSSC,” the “Company,” “we,” “us” and “our”) is a holding company and a subsidiary of EchoStar Corporation (“EchoStar” and “parent”). We are an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies, broadband internet services for consumer customers, which include home and small to medium-sized businesses, and satellite services. We also deliver innovative network technologies, managed services and communications solutions for enterprise customers, which include aeronautical and government enterprises. We operate in the following two business segments:

- **Hughes segment** — which provides broadband satellite technologies and broadband internet services to domestic and international consumer customers and broadband network technologies, managed services, equipment, hardware, satellite services and communication solutions to service providers and enterprise customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment designs, develops, constructs and provides telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.
- **Echostar Satellite Services segment (“ESS segment”)** — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite services on a full-time and/or occasional-use basis to U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers.

Our operations also include various corporate functions (primarily Executive, Treasury, Strategic Development, Human Resources, Information Technology, Finance, Accounting, Real Estate and Legal) and other activities, such as costs incurred in certain satellite development programs and other business development activities, and gains or losses from certain of our investments, that have not been assigned to our business segments. These activities, costs and income, as well as eliminations of intersegment transactions, are accounted for in Corporate and Other segment in our segment reporting. We also divide our operations by primary geographic market as follows: (i) North America (the U.S. and its territories, Mexico, and Canada); (ii) South and Central America and (iii) Other (Asia, Africa, Australia, Europe, India, and the Middle East). Refer to *Note 15. Segment Reporting* for further detail.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

These unaudited Consolidated Financial Statements and the accompanying notes (collectively, the “Consolidated Financial Statements”) are prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required for complete financial statements prepared in conformity with U.S. GAAP. In our opinion, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation have been included. However, our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year.

All amounts presented in these Consolidated Financial Statements are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Refer to *Note 2. Summary of Significant Accounting Policies* to the Consolidated Financial Statements in our Form 10-K for a summary and discussion of our significant accounting policies, except as updated below.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Use of Estimates

We are required to make certain estimates and assumptions that affect the amounts reported in these Consolidated Financial Statements. The most significant estimates and assumptions are used in determining: (i) inputs used to recognize revenue over time, including amortization periods for deferred contract acquisition costs; (ii) allowances for doubtful accounts; (iii) deferred taxes and related valuation allowances, including uncertain tax positions; (iv) loss contingencies; (v) fair value of financial instruments; (vi) fair value of assets and liabilities acquired in business combinations; and (vii) assets and goodwill impairment testing.

We base our estimates and assumptions on historical experience, observable market inputs and on various other factors that we believe to be relevant under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results may differ from previously estimated amounts and such differences may be material to our financial statements. Additionally, changing economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. We review our estimates and assumptions periodically and the effects of revisions thereto are reflected in the period they occur or prospectively if the revised estimate affects future periods.

Goodwill

We test goodwill for impairment annually in our second fiscal quarter, or more frequently if indicators of impairment exist. All of our goodwill is assigned to our Hughes segment. We conducted our annual impairment test of goodwill during our second fiscal quarter on a qualitative basis and determined that no adjustment to the carrying value of goodwill was then necessary because the fair values exceeded carrying values. During the quarter ended September 30, 2022, we conducted a quantitative interim test of goodwill for all of our reporting units due to continuing decline in our stock price during that period. As a result of our interim test, no goodwill impairment was identified. The fair value of the Hughes reporting unit exceeded the carrying value by more than 10%. We concluded that there were no other indicators of impairment. Given the decline in our stock price during the quarter ended September 30, 2022, we believe it is reasonably possible that a sustained decline in our stock price and market capitalization will result in all or a significant portion of our goodwill becoming impaired. The impairment of goodwill has no effect on liquidity or capital resources. However, it would result in a material non-cash charge and would materially adversely affect our financial results in the period recognized.

Principles of Consolidation

We consolidate all entities in which we have a controlling financial interest. We are deemed to have a controlling financial interest in variable interest entities in which we are the primary beneficiary and in other entities in which we own more than 50% of the outstanding voting shares and other shareholders do not have substantive rights to participate in management. For entities we control but do not wholly own, we record a non-controlling interest within shareholder's equity for the portion of the entity's equity attributed to the non-controlling ownership interests. All significant intercompany balances and transactions have been eliminated in consolidation.

Recently Adopted Accounting Pronouncements

On January 1, 2021, we adopted Accounting Standard Update ("ASU") No. 2019-12 - Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 is part of the Financial Accounting Standards Board ("FASB") overall simplification initiative and seeks to simplify the accounting for income taxes by updating certain guidance and removing certain exceptions. Our adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which requires business entities (except for not-for-profit entities and employee benefit plans) to disclose information about certain government assistance they receive. The Topic 832 disclosure requirements include: (i) the nature of the transactions and the related accounting policy used; (ii) the line items on the balance sheet and income statement that are affected and the amounts applicable to each financial statement line item; and (iii) significant terms and conditions of the transactions. Our adoption of this ASU did not have a material impact on our Consolidated Financial Statements.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2020, the FASB issued ASU No. 2020-04 - Reference Rate Reform (Topic 848), codified as ASC 848 ("ASC 848"). The purpose of ASC 848 is to provide optional guidance to ease the potential effects on financial reporting of the market-wide migration away from Interbank Offered Rates to alternative reference rates. ASC 848 applies only to contracts, hedging relationships, and other transactions that reference a reference rate expected to be discontinued because of reference rate reform. The guidance may be applied upon issuance of ASC 848 through December 31, 2022. We expect to utilize the optional expedients provided by the guidance for contracts amended solely to use an alternative reference rate. We have evaluated the impact of adopting this new guidance and do not expect it to have a material impact on our Consolidated Financial Statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which provides an exception to fair value measurement for contract assets and contract liabilities related to revenue contracts acquired in a business combination. The ASU requires an entity (acquirer) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. The ASU is effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022. Early adoption is permitted. The ASU is applied to business combinations occurring on or after the effective date.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this update eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors made to borrowers experiencing financial difficulty. The amendments also require disclosure of current-period gross write-offs by year of origination for financing receivables. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact of adopting this new guidance and we do not expect it to have a material impact on our Consolidated Financial Statements.

NOTE 3. REVENUE RECOGNITION

Contract Balances

The following table presents the components of our contract balances:

	As of	
	September 30, 2022	December 31, 2021
Trade accounts receivable and contract assets, net:		
Sales and services	\$ 187,675	\$ 154,676
Leasing	7,684	5,668
Total trade accounts receivable	195,359	160,344
Contract assets	64,558	36,307
Allowance for doubtful accounts	(16,234)	(14,588)
Total trade accounts receivable and contract assets, net	<u>\$ 243,683</u>	<u>\$ 182,063</u>
Contract liabilities:		
Current	\$ 127,584	\$ 141,343
Non-current	8,797	10,669
Total contract liabilities	<u>\$ 136,381</u>	<u>\$ 152,012</u>

HUGHES SATELLITE SYSTEMS CORPORATION
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(Unaudited)

The following table presents the revenue recognized in the Consolidated Statements of Operations that was previously included within contract liabilities:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 6,175	\$ 16,521	\$ 115,974	\$ 81,543

Contract Acquisition Costs

The following table presents the activity in our contract acquisition costs, net:

	For the nine months ended September 30,	
	2022	2021
Balance at beginning of period	\$ 82,986	\$ 99,837
Additions	45,172	54,701
Amortization expense	(57,822)	(66,815)
Foreign currency translation	156	(828)
Balance at end of period	\$ 70,492	\$ 86,895

We recognized amortization expenses related to contract acquisition costs of \$18.2 million and \$21.6 million for the three months ended September 30, 2022 and 2021, respectively.

Performance Obligations

As of September 30, 2022, the remaining performance obligations for our customer contracts with original expected durations of more than one year was \$1.0 billion. Performance obligations expected to be satisfied within one year and greater than one year are 38.0% and 62.0%, respectively. This amount and percentages exclude agreements with consumer customers in our Hughes segment, our leasing arrangements and agreements with certain customers under which collectability of all amounts due through the term of contracts is uncertain.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Disaggregation of Revenue*Geographic Information*

The following tables present our revenue from customer contracts disaggregated by primary geographic market and by segment:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended September 30, 2022				
North America	\$ 389,181	\$ 4,981	\$ (393)	\$ 393,769
South and Central America	40,290	—	—	40,290
Other	60,094	—	5,013	65,107
Total revenue	<u>\$ 489,565</u>	<u>\$ 4,981</u>	<u>\$ 4,620</u>	<u>\$ 499,166</u>
For the three months ended September 30, 2021				
North America	\$ 412,805	\$ 4,436	\$ (89)	\$ 417,152
South and Central America	44,898	—	—	44,898
Other	39,234	—	5,284	44,518
Total revenue	<u>\$ 496,937</u>	<u>\$ 4,436</u>	<u>\$ 5,195</u>	<u>\$ 506,568</u>
For the nine months ended September 30, 2022				
North America	\$ 1,187,301	\$ 14,305	\$ (939)	\$ 1,200,667
South and Central America	125,256	—	—	125,256
Other	162,955	—	15,029	177,984
Total revenue	<u>\$ 1,475,512</u>	<u>\$ 14,305</u>	<u>\$ 14,090</u>	<u>\$ 1,503,907</u>
For the nine months ended September 30, 2021				
North America	\$ 1,216,665	\$ 12,808	\$ (265)	\$ 1,229,208
South and Central America	134,924	—	—	134,924
Other	113,484	—	16,055	129,539
Total revenue	<u>\$ 1,465,073</u>	<u>\$ 12,808</u>	<u>\$ 15,790</u>	<u>\$ 1,493,671</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Nature of Products and Services

The following tables present our revenue disaggregated by the nature of products and services and by segment:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended September 30, 2022				
Services and other revenue:				
Services	\$ 383,738	\$ 3,247	\$ —	\$ 386,985
Lease revenue	9,822	1,734	4,621	16,177
Total services and other revenue	393,560	4,981	4,621	403,162
Equipment revenue:				
Equipment	33,585	—	(1)	33,584
Design, development and construction services	60,606	—	—	60,606
Lease revenue	1,814	—	—	1,814
Total equipment revenue	96,005	—	(1)	96,004
Total revenue	\$ 489,565	\$ 4,981	\$ 4,620	\$ 499,166
For the three months ended September 30, 2021				
Services and other revenue:				
Services	\$ 415,287	\$ 2,976	\$ —	\$ 418,263
Lease revenue	9,730	1,460	5,195	16,385
Total services and other revenue	425,017	4,436	5,195	434,648
Equipment revenue:				
Equipment	24,504	—	—	24,504
Design, development and construction services	45,025	—	—	45,025
Lease revenue	2,391	—	—	2,391
Total equipment revenue	71,920	—	—	71,920
Total revenue	\$ 496,937	\$ 4,436	\$ 5,195	\$ 506,568

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

	Hughes	ESS	Corporate and Other	Consolidated Total
For the nine months ended September 30, 2022				
Services and other revenue:				
Services	\$ 1,181,460	\$ 9,343	\$ —	\$ 1,190,803
Lease revenue	30,711	4,962	14,090	49,763
Total services and other revenue	<u>1,212,171</u>	<u>14,305</u>	<u>14,090</u>	<u>1,240,566</u>
Equipment revenue:				
Equipment	86,878	—	—	86,878
Design, development and construction services	172,822	—	—	172,822
Lease revenue	3,641	—	—	3,641
Total equipment revenue	<u>263,341</u>	<u>—</u>	<u>—</u>	<u>263,341</u>
Total revenue	<u>\$ 1,475,512</u>	<u>\$ 14,305</u>	<u>\$ 14,090</u>	<u>\$ 1,503,907</u>
For the nine months ended September 30, 2021				
Services and other revenue:				
Services	\$ 1,242,804	\$ 8,550	\$ —	\$ 1,251,354
Lease revenue	29,554	4,258	15,790	49,602
Total services and other revenue	<u>1,272,358</u>	<u>12,808</u>	<u>15,790</u>	<u>1,300,956</u>
Equipment revenue:				
Equipment	84,054	—	—	84,054
Design, development and construction services	101,718	—	—	101,718
Lease revenue	6,943	—	—	6,943
Total equipment revenue	<u>192,715</u>	<u>—</u>	<u>—</u>	<u>192,715</u>
Total revenue	<u>\$ 1,465,073</u>	<u>\$ 12,808</u>	<u>\$ 15,790</u>	<u>\$ 1,493,671</u>

Lease Revenue

The following table presents our lease revenue by type of lease:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Sales-type lease revenue:				
Revenue at lease commencement	\$ 1,514	\$ 2,220	\$ 2,735	\$ 6,597
Interest income	300	171	906	346
Total sales-type lease revenue	<u>1,814</u>	<u>2,391</u>	<u>3,641</u>	<u>6,943</u>
Operating lease revenue	<u>16,177</u>	<u>16,385</u>	<u>49,763</u>	<u>49,602</u>
Total lease revenue	<u>\$ 17,991</u>	<u>\$ 18,776</u>	<u>\$ 53,404</u>	<u>\$ 56,545</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 4. BUSINESS COMBINATIONS

In May 2019, we entered into an agreement with Bharti Airtel Limited (“BAL”) and its subsidiary, Bharti Airtel Services Limited (together with BAL, “Bharti”), pursuant to which Bharti agreed to contribute its very small aperture terminal (“VSAT”) telecommunications services and hardware business in India to Hughes Communications India Private Limited (“HCIPL”) and its subsidiaries, our less than wholly owned Indian subsidiaries, that conduct our VSAT services and hardware business in India. On January 4, 2022, this joint venture was formed (the “India JV”) and subsequent to the formation of the India JV, we hold a 67% ownership interest and Bharti holds a 33% ownership interest in HCIPL. The India JV combines the VSAT businesses of both companies to offer flexible and scalable enterprise networking solutions using satellite connectivity for primary transport, back-up and hybrid implementation in India. The results of operations related to the India JV have been included in these Consolidated Financial Statements from the date of formation. The costs associated with the closing of the India JV were not material and were expensed as incurred.

The fair value of the consideration transferred was \$38.2 million. Net cash paid was \$7.9 million, inclusive of amounts paid for the acquisition of, or of HCIPL shares from, entities that were shareholders of HCIPL prior to closing the India JV.

All assets and liabilities acquired in the India JV formation have been recorded at fair value. The following table presents our preliminary allocation of the purchase price:

	Amounts
Assets:	
Trade accounts receivable and contract assets, net	\$ 6,160
Other current assets	2,085
Property and equipment	4,669
Goodwill	23,086
Other intangible assets	4,428
Total assets	<u>\$ 40,428</u>
Liabilities:	
Trade accounts payable	\$ 133
Accrued expenses and other current liabilities	986
Deferred tax liabilities	1,114
Total liabilities	<u>\$ 2,233</u>
Total purchase price	<u>\$ 38,195</u>

The preliminary valuation of assets acquired and liabilities assumed in the India JV were derived using primarily unobservable Level 3 inputs, which require significant management judgment and estimation, and resulted in a customer relationship intangible of \$4.4 million with an estimated life of 5 years and is reported in Other intangible assets, net.

Goodwill associated with the India JV is attributable to expected synergies, the projected long-term business growth in current and new markets and an assembled workforce. Goodwill has been allocated entirely to our Hughes segment.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 5. MARKETABLE INVESTMENT SECURITIES

The following table presents our *Marketable investment securities*:

	As of	
	September 30, 2022	December 31, 2021
Marketable investment securities:		
Available-for-sale debt securities:		
Corporate bonds	\$ 211,556	\$ 284,787
Commercial paper	279,342	491,360
Other debt securities	2,412	78,355
Total available-for-sale debt securities	493,310	854,502
Equity securities	—	—
Total marketable investment securities	\$ 493,310	\$ 854,502

Debt Securities
Available-for-Sale

The following table presents the components of our available-for-sale debt securities:

	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
As of September 30, 2022				
Corporate bonds	\$ 212,157	\$ 48	\$ (649)	\$ 211,556
Commercial paper	279,342	—	—	279,342
Other debt securities	2,418	—	(6)	2,412
Total available-for-sale debt securities	\$ 493,917	\$ 48	\$ (655)	\$ 493,310
As of December 31, 2021				
Corporate bonds	\$ 285,169	\$ —	\$ (382)	\$ 284,787
Commercial paper	491,360	—	—	491,360
Other debt securities	78,395	—	(40)	78,355
Total available-for-sale debt securities	\$ 854,924	\$ —	\$ (422)	\$ 854,502

The following table presents the activity on our available-for-sale debt securities:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Proceeds from sales	\$ —	\$ 125,923	\$ 37,904	\$ 277,188

As of September 30, 2022, we have \$488.8 million of available-for-sale debt securities with contractual maturities of one year or less and \$4.5 million with contractual maturities greater than one year.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Fair Value Measurements

The following table presents our marketable investment securities categorized by the fair value hierarchy, certain of which have historically experienced volatility:

	Level 1	Level 2	Total
As of September 30, 2022			
Cash equivalents (including restricted)	\$ 277	\$ 752,397	\$ 752,674
Available-for-sale debt securities:			
Corporate bonds	\$ —	\$ 211,556	\$ 211,556
Commercial paper	—	279,342	279,342
Other debt securities	—	2,412	2,412
Total available-for-sale debt securities	—	493,310	493,310
Equity securities	—	—	—
Total marketable investment securities	\$ —	\$ 493,310	\$ 493,310
As of December 31, 2021			
Cash equivalents (including restricted)	\$ 4,032	\$ 320,732	\$ 324,764
Available-for-sale debt securities:			
Corporate bonds	\$ —	\$ 284,787	\$ 284,787
Commercial paper	—	491,360	491,360
Other debt securities	—	78,355	78,355
Total available-for-sale debt securities	—	854,502	854,502
Equity securities	—	—	—
Total marketable investment securities	\$ —	\$ 854,502	\$ 854,502

As of September 30, 2022 and December 31, 2021, we did not have any investments that were categorized within Level 3 of the fair value hierarchy.

NOTE 6. PROPERTY AND EQUIPMENT

The following table presents the components of *Property and equipment, net*:

	As of	
	September 30, 2022	December 31, 2021
Property and equipment, net:		
Satellites, net	\$ 775,982	\$ 847,613
Other property and equipment, net	625,620	675,834
Total property and equipment, net	\$ 1,401,602	\$ 1,523,447

Satellites

As of September 30, 2022, our satellite fleet consisted of eight geosynchronous (“GEO”) satellites, five of which are owned and three of which are leased. They are all in geosynchronous orbit, approximately 22,300 miles above the equator.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents our GEO satellite fleet as of September 30, 2022:

GEO Satellite	Segment	Launch Date	Nominal Degree Orbital Location (Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 ⁽¹⁾	Hughes	August 2007	95 W	10
EchoStar XVII	Hughes	July 2012	107 W	15
EchoStar XIX	Hughes	December 2016	97.1 W	15
Al Yah 3 ⁽²⁾	Hughes	January 2018	20 W	7
EchoStar IX ^{(3) (4)}	ESS	August 2003	121 W	12
Finance leases:				
Eutelsat 65 West A	Hughes	March 2016	65 W	15
Telesat T19V	Hughes	July 2018	63 W	15
EchoStar 105/SES-11	ESS	October 2017	105 W	15

(1) Depreciable life represents the remaining useful life as of June 8, 2011, the date EchoStar completed the acquisition of Hughes Communications, Inc. ("Hughes Communications") and its subsidiaries (the "Hughes Acquisition").

(2) Upon consummation of our joint venture with Al Yah Satellite Communications Company PrJSC ("Yahsat") in Brazil in November 2019, we acquired the Brazilian Ka-band payload on this satellite. Depreciable life represents the remaining useful life as of November 2019.

(3) We own the Ka-band and Ku-band payloads on this satellite.

(4) EchoStar IX is approaching its end of station-kept life. The Company expects to place the satellite in an inclined-orbit in the fourth quarter of 2022 or first quarter of 2023, but this ability is dependent upon events beyond our control and may not occur on schedule if at all. Inclined-orbit will extend its life but impact revenue generating capabilities.

The following table presents the components of our satellites, net:

	Depreciable Life (In Years)	As of	
		September 30, 2022	December 31, 2021
Satellites, net:			
Satellites - owned	7 to 15	\$ 1,502,039	\$ 1,500,836
Satellites - acquired under finance leases	15	357,163	354,170
Total satellites		1,859,202	1,855,006
Accumulated depreciation:			
Satellites - owned		(968,682)	(911,722)
Satellites - acquired under finance leases		(114,538)	(95,671)
Total accumulated depreciation		(1,083,220)	(1,007,393)
Total satellites, net		\$ 775,982	\$ 847,613

The following table presents the depreciation expense associated with our satellites, net:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Depreciation expense:				
Satellites - owned	\$ 18,911	\$ 17,490	\$ 56,831	\$ 62,048
Satellites - acquired under finance leases	6,003	7,434	18,127	22,031
Total depreciation expense	\$ 24,914	\$ 24,924	\$ 74,958	\$ 84,079

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents capitalized interest associated with our satellites and satellite-related ground infrastructure:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Capitalized interest	\$ 2,206	\$ 1,523	\$ 6,264	\$ 4,236

Satellite-Related Commitments

As of September 30, 2022 and December 31, 2021 our satellite-related commitments were \$159.5 million and \$179.7 million, respectively. These primarily include payments pursuant to regulatory authorizations, non-lease costs associated with our finance lease satellites, in-orbit incentives relating to certain satellites and commitments for satellite service arrangements.

In certain circumstances, the dates on which we are obligated to pay our contractual obligations could change.

Satellite Anomalies and Impairments

We are not aware of any anomalies with respect to our owned or leased satellites or payloads that have had any significant adverse effect on their remaining useful lives, the commercial operation of the satellites or payloads or our operating results or financial position as of and for the three and nine months ended September 30, 2022.

Fair Value of In-Orbit Incentives

As of September 30, 2022 and December 31, 2021, the fair values of our in-orbit incentive obligations approximated their carrying amounts of \$50.8 million and \$53.2 million, respectively.

NOTE 7. REGULATORY AUTHORIZATIONS

The following table presents our *Regulatory authorizations, net*:

	Finite lived			Indefinite lived	Total
	Cost	Accumulated Amortization	Total		
Balance, December 31, 2020	11,505	(1,054)	10,451	400,000	410,451
Amortization expense	—	(610)	(610)	—	(610)
Currency translation adjustments	(711)	76	(635)	—	(635)
Balance, September 30, 2021	10,794	(1,588)	9,206	400,000	409,206
Balance, December 31, 2021	10,733	(1,774)	8,959	400,000	408,959
Amortization expense	—	(617)	(617)	—	(617)
Currency translation adjustments	230	(30)	200	—	200
Balance, September 30, 2022	\$ 10,963	\$ (2,421)	\$ 8,542	\$ 400,000	\$ 408,542
Weighted-average useful life (in years)	14				

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 8. OTHER INVESTMENTS

The following table presents our *Other investments, net*:

	As of	
	September 30, 2022	December 31, 2021
Other investments, net:		
Equity method investments	\$ 84,785	\$ 91,226
Total other investments, net	<u>\$ 84,785</u>	<u>\$ 91,226</u>

Equity Method Investments*Deluxe/EchoStar LLC*

We own 50% of Deluxe/EchoStar LLC ("Deluxe"), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada.

Broadband Connectivity Solutions (Restricted) Limited

We own 20% of Broadband Connectivity Solutions (Restricted) Limited (together with its subsidiaries, "BCS"), a joint venture that we entered into in 2018 to provide commercial Ka-band satellite broadband services across Africa, the Middle East and southwest Asia operating over Yahsat's Al Yah 2 and Al Yah 3 Ka-band satellites.

Financial Information for Our Equity Method Investments

The following table presents revenue recognized:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Deluxe	\$ 1,243	\$ 1,315	\$ 3,901	\$ 4,175
BCS	<u>\$ 2,600</u>	<u>\$ 1,838</u>	<u>\$ 6,321</u>	<u>\$ 5,952</u>

The following table presents trade accounts receivable:

	As of	
	September 30, 2022	December 31, 2021
Deluxe	\$ 2,461	\$ 934
BCS	<u>\$ 6,231</u>	<u>\$ 5,544</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 9. LONG-TERM DEBT

The following table presents the carrying amount and fair values of our *Long-term debt, net*:

	Effective Interest Rate	As of			
		September 30, 2022		December 31, 2021	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Secured Notes:					
5 1/4% Senior Secured Notes due 2026	5.320%	\$ 750,000	\$ 694,253	\$ 750,000	\$ 825,555
Senior Unsecured Notes:					
6 5/8% Senior Unsecured Notes due 2026	6.688%	750,000	688,935	750,000	838,740
Less: Unamortized debt issuance costs		(3,422)	—	(4,006)	—
Total long-term debt, net		<u>\$ 1,496,578</u>	<u>\$ 1,383,188</u>	<u>\$ 1,495,994</u>	<u>\$ 1,664,295</u>

NOTE 10. INCOME TAXES

Our income tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items, if any, in the relevant period. Each quarter we update our estimate of the annual effective tax rate, and if our estimated tax rate changes, we make a cumulative adjustment.

Our interim income tax provision and our interim estimate of our annual effective tax rate are influenced by several factors, including foreign losses and capital gains and losses for which related deferred tax assets are partially offset by a valuation allowance, changes in tax laws and relative changes in unrecognized tax benefits. Additionally, our effective tax rate can be affected by the amount of pre-tax income or loss. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income or loss is lower.

Our income tax provision was \$15.7 million for the three months ended September 30, 2022 compared to our income tax provision of \$19.9 million for the three months ended September 30, 2021. Our estimated effective income tax rate was 34.5% and 36.6% for the three months ended September 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the three months ended September 30, 2021 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

Our income tax provision was \$45.7 million for the nine months ended September 30, 2022 compared to our income tax provision of \$48.8 million for the nine months ended September 30, 2021. Our estimated effective income tax rate was 34.8% and 35.8% for the nine months ended September 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2021 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

The Tax Cuts and Jobs Act ("TCJA") was signed into law December 22, 2017 and included a significant change in the treatment of Research and Development ("R&D") Expenditures under Section 174. Previously, the qualified amounts were deductible in the year incurred. Beginning in 2022, the amounts must be capitalized and amortized. EchoStar does not expect a material impact in 2022 and continues to evaluate the legislation.

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law. Among other provisions, the IRA includes a 15% corporate minimum tax rate applied to certain large corporations and a 1% excise tax on corporate stock repurchases made after December 31, 2022. We do not expect the IRA to have a material impact on our consolidated financial statements.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 11. RELATED PARTY TRANSACTIONS - ECHOSTAR

The following is a summary of the transactions and the terms of the underlying principal agreements that have had or may have an impact on our consolidated financial condition and results of operations.

Shared Corporate Services. We and EchoStar, including EchoStar's other subsidiaries, have agreed that we shall each have the right, but not the obligation, to receive from the other certain shared corporate services, including among other things: treasury, tax, accounting and reporting, risk management, cybersecurity, legal, internal audit, human resources, and information technology. These shared corporate services are generally provided at cost. Effective March 2017, and as a result of the Share Exchange (as defined below), we implemented a new methodology for determining the cost of these shared corporate services. We and EchoStar, including EchoStar's other subsidiaries, may each terminate a particular shared corporate service for any reason upon at least 30 days' notice. We recorded these expenses within Operating expenses - EchoStar for shared corporate services received from EchoStar and its other subsidiaries of \$4.1 million and \$1.7 million for the three months ended September 30, 2022 and 2021, respectively, and \$8.6 million and \$1.5 million for the nine months ended September 30, 2022 and 2021, respectively.

Services and Other Revenue — EchoStar

The following table presents our *Services and other revenue* from EchoStar:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Services and other revenue - EchoStar	\$ 5,013	\$ 5,283	\$ 15,029	\$ 16,055

The following table presents the corresponding related party receivables:

	As of	
	September 30, 2022	December 31, 2021
Related party receivables - EchoStar - current	\$ 114,293	\$ 122,619
Related party receivables - EchoStar - non-current	51,704	56,055
Total related party receivables - EchoStar	\$ 165,997	\$ 178,674

Receivables. EchoStar and its other subsidiaries reimburse us from time to time for amounts paid by us for costs and expenses attributable to EchoStar and its other subsidiaries. We report receivables under these arrangements within Related party receivables - EchoStar - current. No repayment schedule for these receivables has been determined.

Operating Expenses — EchoStar

The following table presents our operating expenses from EchoStar:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating expenses - EchoStar	\$ 19,586	\$ 12,381	\$ 54,945	\$ 43,566

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The following table presents the corresponding related party payables:

	As of	
	September 30, 2022	December 31, 2021
Related party payables - EchoStar - current	\$ 124,409	\$ 124,578
Related party payables - EchoStar - non-current	22,450	24,118
Total related party payables - EchoStar	<u>\$ 146,859</u>	<u>\$ 148,696</u>

Payables. We reimburse EchoStar and its other subsidiaries from time to time for amounts paid by EchoStar and its other subsidiaries for costs and expenses attributable to us. We report payables under these arrangements within Related party payables - EchoStar - current. No repayment schedule for these payables has been determined.

Real Estate. We occupy certain office space in buildings owned or leased by EchoStar and its other subsidiaries and pay a portion of the taxes, insurance, utilities and maintenance of the premises in accordance with the percentage of the space we occupy.

Cash Advances. EchoStar and certain of its other subsidiaries have also provided cash advances to certain of our foreign subsidiaries to fund certain expenditures pursuant to loan agreements that mature in 2022. Advances under these agreements bear interest at annual rates ranging from one to three percent, subject to periodic adjustment based on the one-year U.S. LIBOR rate. We report amounts payable under these agreements within Related party payables - EchoStar - non-current.

BSS Transaction. Pursuant to the pre-closing restructuring contemplated by the Master Transaction Agreement (as defined below), and as part of the BSS Transaction (as defined below), we and our subsidiaries transferred certain of the BSS Business (as defined below) to BSS Corp. (as defined below), and we distributed all of the shares of BSS Corp. to EchoStar as a dividend.

Share Exchange Agreement. Prior to consummation of the Share Exchange, EchoStar was required to complete steps necessary for the transferring of certain assets and liabilities to DISH Network Corporation ("DISH") and its subsidiaries (together with DISH, "DISH Network"). As part of these steps, subsidiaries of EchoStar that, prior to the consummation of the Share Exchange, owned EchoStar's business of providing online video delivery and satellite video delivery for broadcasters and pay-TV operators, including satellite uplinking/downlinking, transmission services, signal processing and conditional access management, and other services and related assets and liabilities were contributed to one of our subsidiaries in consideration for additional shares of HSSC's common stock that were then issued to a subsidiary of EchoStar.

EchoStar Mobile Limited Service Agreements. We provide services and lease equipment to support the business of EchoStar Mobile Limited, a subsidiary of EchoStar that is licensed by the EU to provide mobile satellite services and complementary ground component services covering the entire EU using S-band spectrum. Generally, the amounts EchoStar's other subsidiaries pay for these services are based on cost plus a fixed margin. We recorded revenue in *Services and other revenue* of \$5.0 million and \$5.3 million for the three months ended September 30, 2022 and 2021, respectively, and \$15.0 million and \$16.1 million for the nine months ended September 30, 2022 and 2021, respectively, related to these services. Additionally, we have converted the receivables for certain of these services into loans, bearing an annual interest rate of 5%, that mature in 2023. We report these loans within Related party receivables - EchoStar - non-current.

Construction Management Services for EchoStar XXIV satellite. In August 2017, a subsidiary of EchoStar entered into a contract with Maxar Space, LLC (formerly Space Systems/Loral, LLC), for the design and construction of the EchoStar XXIV satellite, a new, next-generation, high throughput geostationary satellite, with an expected launch in the first half of 2023. We provide construction management services to EchoStar's subsidiary for the construction of the EchoStar XXIV satellite. We charged EchoStar's subsidiary and reduced our operating expenses by the costs of such services of \$0.5 million and \$0.4 million for the three months ended September 30,

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2022 and 2021, respectively, and \$1.2 million and \$1.3 million for the nine months ended September 30, 2022 and 2021, respectively.

Dividends. On March 17, 2022, our Board of Directors declared and approved payment of a cash dividend on our outstanding common stock to our shareholder and parent, EchoStar, in the amount of \$100.0 million. Payment of this dividend was made in the first quarter of 2022.

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NOTE 12. RELATED PARTY TRANSACTIONS - DISH NETWORK

Overview

EchoStar Corporation and DISH have operated as separate publicly-traded companies since 2008 (the "Spin-off"). A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH is owned beneficially by Charles W. Ergen, our Chairman, and by certain entities established for the benefit of his family.

In January 2017, EchoStar and certain of its subsidiaries entered into a share exchange agreement (the "Share Exchange Agreement") with DISH and certain of its subsidiaries pursuant to which, in February 2017, we received all of the shares of preferred tracking stock previously issued by us and one of our subsidiaries (the "Tracking Stock"), representing an 80% economic interest in the residential retail satellite broadband business of our Hughes segment, in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets (collectively, the "Share Exchange"). The Tracking Stock was retired in March 2017.

In September 2019, pursuant to a master transaction agreement (the "Master Transaction Agreement") with DISH and a wholly-owned subsidiary of DISH ("Merger Sub"), (i) we transferred certain real property and the various businesses, products, licenses, technology, revenues, billings, operating activities, assets and liabilities primarily related to the former portion of our ESS segment that managed, marketed and provided (1) broadcast satellite services primarily to DISH Network and our former joint venture Dish Mexico, S. de R.L. de C.V. and its subsidiaries ("Dish Mexico"), and (2) telemetry, tracking and control ("TT&C") services for satellites owned by DISH Network and a portion of our other businesses (collectively, the "BSS Business") to one of our former subsidiaries, EchoStar BSS Corporation ("BSS Corp."), (ii) we distributed to each holder of shares of our Class A or Class B common stock entitled to receive consideration in the transaction an amount of shares of common stock of BSS Corp., par value \$0.001 per share ("BSS Common Stock"), equal to one share of BSS Common Stock for each share of our Class A or Class B common stock owned by such stockholder (the "Distribution"); and (iii) immediately after the Distribution, (1) Merger Sub merged with and into BSS Corp. (the "Merger"), such that BSS Corp. became a wholly-owned subsidiary of DISH and with DISH then owning and operating the BSS Business, and (2) each issued and outstanding share of BSS Common Stock owned by EchoStar stockholders was converted into the right to receive 0.23523769 shares of DISH Class A common stock, par value \$0.001 per share ("DISH Common Stock") ((i) - (iii) collectively, the "BSS Transaction").

In connection with and following the Spin-off, the Share Exchange and the BSS Transaction, EchoStar, we and certain other of EchoStar's subsidiaries and DISH Network entered into certain agreements pursuant to which we, EchoStar and certain of its other subsidiaries, on the one hand, obtain certain products, services and rights from DISH Network, on the other hand; DISH Network, on the one hand, obtains certain products, services and rights from us, EchoStar and certain of its other subsidiaries, on the other hand; and such entities indemnify each other against certain liabilities arising from their respective businesses. Generally, the amounts we and/or EchoStar and its other subsidiaries or DISH Network pay for products and services provided under the agreements are based on cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided. We and/or EchoStar and its other subsidiaries may also enter into additional agreements with DISH Network in the future.

The following is a summary of the transactions and the terms of the underlying principal agreements that have had or may have an impact on our consolidated financial condition and results of operations.

Services and Other Revenue — DISH Network

The following table presents our *Services and other revenue - DISH Network*:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Services and other revenue - DISH Network	\$ 4,258	\$ 5,357	\$ 13,589	\$ 16,751

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The following table presents the related trade accounts receivable:

	As of	
	September 30, 2022	December 31, 2021
Trade accounts receivable - DISH Network	\$ 2,982	\$ 3,457

Satellite Capacity Leased to DISH Network. Effective January 2008, DISH Network began leasing satellite capacity from us on the EchoStar IX satellite. Subject to availability, DISH Network generally has the right to continue leasing satellite capacity from us on the EchoStar IX satellite on a month-to-month basis.

Telesat Obligation Agreement. In September 2009, we entered into an agreement with Telesat Canada to lease satellite capacity from Telesat Canada on all 32 direct broadcast satellite (“DBS”) transponders on the Nimiq 5 satellite at the 72.7 degree west longitude orbital location (the “Telesat Transponder Agreement”). In September 2009, we entered into an agreement with DISH Network, pursuant to which DISH Network leased satellite capacity from us on all 32 of the DBS transponders covered by the Telesat Transponder Agreement (the “DISH Nimiq 5 Agreement”). Under the terms of the DISH Nimiq 5 Agreement, DISH Network made certain monthly payments to us that commenced in September 2009, when the Nimiq 5 satellite was placed into service. We transferred the Telesat Transponder Agreement to DISH Network in September 2019 as part of the BSS Transaction; however, we retained certain obligations related to DISH Network’s performance under that agreement and we entered into an agreement with DISH Network whereby DISH Network compensates us for retaining such obligations.

TerreStar Agreement. In March 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar Networks Inc. (“TerreStar”). Prior to DISH Network’s acquisition of substantially all the assets of TerreStar and EchoStar’s completion of the Hughes Acquisition, TerreStar and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services for TerreStar’s ground-based communications equipment (the “TerreStar Agreements”). In December 2017, we and DISH Network amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DISH Network generally has the right to continue to receive warranty services from us for our products on a month-to-month basis unless terminated by DISH Network upon at least 21 days’ written notice to us. DISH Network generally has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis unless these services are terminated by DISH Network upon at least 90 days’ written notice to us. In addition, DISH Network generally may terminate any and all services for convenience subject to providing us with prior notice and/or payment of termination charges. In March 2020, we entered into an agreement with DISH Network pursuant to which we perform certain work and provide certain credits to amounts owed to us under the TerreStar Agreements in exchange for DISH Network’s granting us rights to use certain satellite capacity under the Amended and Restated Professional Services Agreement (as defined below). As a result, we and DISH Network amended the TerreStar Agreements to suspend our provision of warranty services to DISH Network from April 2020 through December 2020. Following the expiration of this suspension, we have recommenced providing warranty services to DISH Network. In May 2022, we and DISH Network amended the agreement for the provision of hosting services to extend the term until May 2027.

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(Unaudited)

Hughes Broadband Distribution Agreement. Effective October 2012, we and DISH Network entered into a distribution agreement (the "Distribution Agreement") pursuant to which DISH Network has the right, but not the obligation, to market, sell and distribute our Gen 4 HughesNet service. DISH Network pays us a monthly per subscriber wholesale service fee for our Gen 4 HughesNet service based upon a subscriber's service level and based upon certain volume subscription thresholds. The Distribution Agreement also provides that DISH Network has the right, but not the obligation, to purchase certain broadband equipment from us to support the sale of the Gen 4 HughesNet service. The Distribution Agreement had an initial term of five years with automatic renewal for successive one-year terms unless terminated by either party with a written notice at least 180 days' before the expiration of the then-current term. In February 2014, we and DISH Network entered into an amendment to the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement until March 2024. Upon expiration or termination of the Distribution Agreement, we and DISH Network will continue to provide our Gen 4 HughesNet service to the then-current DISH Network subscribers pursuant to the terms and conditions of the Distribution Agreement.

DBSD North America Agreement. In March 2012, DISH Network completed its acquisition of all of the equity of DBSD North America, Inc. ("DBSD North America"). Prior to DISH Network's acquisition of DBSD North America and EchoStar's completion of the Hughes Acquisition, DBSD North America and HNS entered into various agreements pursuant to which we provide, among other things, warranty, operations and maintenance and hosting services of DBSD North America's gateway and ground-based communications equipment. In December 2017, we and DBSD North America amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DBSD North America has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis, unless terminated by DBSD North America upon at least 120 days' written notice to us. In February 2019, we further amended these agreements to provide DBSD North America with the right to continue to receive warranty services from us on a month-to-month basis until December 2023, unless terminated by DBSD North America upon at least 21 days' written notice to us. The provision of hosting services will continue until February 2027 unless terminated by DBSD North America upon at least 180 days' written notice to us. In addition, DBSD North America generally may terminate any and all such services for convenience, subject to providing us with prior notice and/or payment of termination charges.

Hughes Equipment and Services Agreement. In February 2019, we and DISH Network entered into an agreement pursuant to which we will sell to DISH Network our HughesNet Service and HughesNet equipment that has been modified to meet DISH Network's internet-of-things specifications for the transfer of data to DISH Network's network operations centers. This agreement has an initial term of five years expiring February 2024 with automatic renewal for successive one-year terms unless terminated by DISH Network with at least 180 days' written notice to us or by us with at least 365 days' written notice to DISH Network.

Operating Expenses — DISH Network

The following table presents our operating expenses related to DISH Network:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Operating expenses - DISH Network	\$ 1,197	\$ 1,310	\$ 3,401	\$ 3,876

The following table presents the related trade accounts payable:

	As of	
	September 30, 2022	December 31, 2021
Trade accounts payable - DISH Network	\$ 428	\$ 587

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Amended and Restated Professional Services Agreement. In connection with the Spin-off, EchoStar entered into various agreements with DISH Network including a transition services agreement, satellite procurement agreement and services agreement, all of which expired in January 2010 and were replaced by a professional services agreement (the "Professional Services Agreement"). In January 2010, EchoStar and DISH Network agreed that EchoStar and its subsidiaries shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under a transition services agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, EchoStar and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage EchoStar and its subsidiaries to manage the process of procuring new satellite capacity for DISH Network (previously provided under a satellite procurement agreement), receive logistics, procurement and quality assurance services from EchoStar and its subsidiaries (previously provided under a services agreement) and provide other support services. In connection with the consummation of the Share Exchange, EchoStar and DISH amended and restated the Professional Services Agreement to provide that EchoStar and its subsidiaries and DISH Network shall have the right to receive additional services that either EchoStar and its subsidiaries or DISH Network may require as a result of the Share Exchange, including access to antennas owned by DISH Network for our use in performing TT&C services and maintenance and support services for our antennas (collectively, the "TT&C Antennas"). In September 2019, in connection with the BSS Transaction, EchoStar and DISH further amended the Professional Services Agreement (the "Amended and Restated Professional Services Agreement") to provide that EchoStar and its subsidiaries and DISH Network shall have the right to receive additional services that either EchoStar and its subsidiaries or DISH Network may require as a result of the BSS Transaction and to remove our access to and the maintenance and support services for the TT&C Antennas. A portion of these costs and expenses have been allocated to us in the manner described in Note 11. Related Party Transactions - EchoStar. The term of the Amended and Restated Professional Services Agreement is through January 1, 2023 and renews automatically for successive one-year periods thereafter, unless the agreement is terminated earlier by either party upon at least 60 days' notice. However, either party may generally terminate the Amended and Restated Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice, unless the statement of work for particular services states otherwise. Certain services provided under the Amended and Restated Professional Services Agreement may survive the termination of the agreement.

Collocation and Antenna Space Agreements. We and DISH Network entered into an agreement pursuant to which DISH Network provided us with collocation space in El Paso, Texas. This agreement was for an initial period ending in July 2015, and provided us with renewal options for four consecutive three-year terms. We exercised our first renewal option for a period commencing in August 2015 and ending in July 2018, in April 2018 we exercised our second renewal option for a period ending in July 2021, and in May 2021 we exercised our third renewal option for a period ending in July 2024. In connection with the Share Exchange, effective March 2017, we also entered into certain agreements pursuant to which DISH Network provides collocation and antenna space to EchoStar through February 2022 at the following locations: Cheyenne, Wyoming; Gilbert, Arizona; New Braunfels, Texas; Monee, Illinois; Spokane, Washington; and Englewood, Colorado. In October 2019, we provided a termination notice for our New Braunfels, Texas agreement effective May 2020. In November 2020, we provided a termination notice for one of our Englewood, Colorado agreements effective May 2021. In November 2021, we exercised our right to renew the collocation agreements at Gilbert, Arizona, Cheyenne, Wyoming, Spokane, Washington, Englewood, Colorado and Monee, Illinois for a period ending in February 2025. In August 2017, we and DISH Network also entered into certain other agreements pursuant to which DISH Network provides additional collocation and antenna space to us in Monee, Illinois and Spokane, Washington through August 2022. In May 2022, we exercised our right to renew such other agreements at Monee, Illinois and Spokane, Washington through August 2025. Generally, we may renew our collocation and antenna space agreements for three-year periods by providing DISH Network with prior written notice no more than 120 days but no less than 90 days prior to the end of the then-current term. We may terminate certain of these agreements with 180 days' prior written notice. In September 2019, in connection with the BSS Transaction, we entered into an agreement pursuant to which DISH Network provided us with certain additional collocation space in Cheyenne, Wyoming for a period that ended in September 2020. The fees for the services provided under these agreements depend on the number of racks located at the location.

Also in connection with the BSS Transaction, in September 2019, we entered into an agreement pursuant to which DISH Network provides us with antenna space and power in Cheyenne, Wyoming for a period of five years commencing in August 2020, with four three-year renewal terms, with prior written notice of renewal required no

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more than 120 days but no less than 90 days prior to the end of the then-current term. In March 2021, we entered into additional agreements pursuant to which DISH Network provides us with antenna space and power in Cheyenne, Wyoming, and the right to use an antenna and certain space in Gilbert, Arizona. Both agreements are for a period of five years with four three-year renewal terms, with prior written notice of renewal required no more than 120 days but no less than 90 days prior to the end of the then-current term.

Hughes Broadband Master Services Agreement. In conjunction with the launch of our EchoStar XIX satellite, in March 2017, we and DISH Network entered into a master service agreement (the "Hughes Broadband MSA") pursuant to which DISH Network, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for our Gen 5 HughesNet satellite internet service (the "HughesNet service") and related equipment and other telecommunication services and (ii) installs Gen 5 HughesNet service equipment with respect to activations generated by DISH Network. Under the Hughes Broadband MSA, we and DISH Network make certain payments to each other relating to sales, upgrades, purchases and installation services. The current term of the Hughes Broadband MSA is through March 2023 with automatic renewal for successive one-year terms. Either party has the ability to terminate the Hughes Broadband MSA, in whole or in part, for any reason upon at least 90 days' notice to the other party. Upon expiration or termination of the Hughes Broadband MSA, we will continue to provide our Gen 5 HughesNet service to subscribers and make certain payments to DISH Network pursuant to the terms and conditions of the Hughes Broadband MSA. We incurred sales incentives and other costs under the Hughes Broadband MSA totaling \$1.8 million and \$2.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$5.4 million and \$5.9 million for the nine months ended September 30, 2022 and 2021, respectively.

2019 TT&C Agreement. In September 2019, in connection with the BSS Transaction, we and a subsidiary of EchoStar entered into an agreement pursuant to which DISH Network provides TT&C services to us and EchoStar and its other subsidiaries for a period ending in September 2021, with the option for a subsidiary of EchoStar to renew for a one-year period upon written notice at least 90 days prior to the initial expiration (the "2019 TT&C Agreement"). In June 2021, we amended the 2019 TT&C Agreement to extend the term until September 2022 and added the option for us to renew the 2019 TT&C Agreement up to an additional three years. In September 2022, we exercised the option to renew the 2019 TT&C Agreement until September 2023. The fees for services provided under the 2019 TT&C Agreement are calculated at either: (i) a fixed fee or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. Any party is able to terminate the 2019 TT&C Agreement for any reason upon 12 months' notice.

Referral Marketing Agreement. In June 2021, we and DISH Network entered into an agreement pursuant to which we will pre-qualify prospects contacting Hughes call centers and transfer those prospects to DISH Network for introduction to DISH Network's video services, for prospects that convert Hughes will receive a commission. This agreement has an indefinite term and may be terminated by either party upon 90 days' prior written notice.

Whidbey Island 5G Network Test Bed Subcontract. In June 2022, we and DISH Wireless entered into a subcontract ("DISH Subcontract") pursuant to which DISH will provide access and use of a DISH lab, technical support and integration and testing support for the 5G network test bed to be delivered by Hughes to its customer.

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Other Receivables - DISH Network

Tax Sharing Agreement. Effective December 2007, EchoStar and DISH Network entered into a tax sharing agreement (the "Tax Sharing Agreement") in connection with the Spin-off. This agreement governs EchoStar and DISH and their respective subsidiaries' respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network and DISH Network indemnifies EchoStar and its subsidiaries for such taxes. However, DISH Network is not liable for and does not indemnify EchoStar or its subsidiaries for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended (the "Code"), because of: (i) a direct or indirect acquisition of any of EchoStar's stock, stock options or assets; (ii) any action that EchoStar or its subsidiaries take or fail to take or (iii) any action that EchoStar or its subsidiaries take that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar and its subsidiaries will be solely liable for, and will indemnify DISH Network for any resulting taxes, as well as any losses, claims and expenses. The Tax Sharing Agreement will terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

In light of the Tax Sharing Agreement, among other things, and in connection with EchoStar's consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, in September 2013, EchoStar and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of EchoStar's consolidated tax returns. As a result, DISH Network agreed to pay EchoStar an amount that includes the federal tax benefit DISH received as a result of our operations.

In August 2018, EchoStar and DISH Network amended the Tax Sharing Agreement and the 2013 agreements (the "Tax Sharing Amendment"). Under the Tax Sharing Amendment, DISH Network is required to compensate EchoStar for certain past and future excess California research and development tax credits generated by EchoStar and its subsidiaries and used by DISH Network.

Other Agreements

Master Transaction Agreement. In May 2019, EchoStar and BSS Corp. entered into the Master Transaction Agreement with DISH and Merger Sub with respect to the BSS Transaction. Pursuant to the terms of the Master Transaction Agreement, on September 10, 2019: (i) EchoStar and its subsidiaries and we and our subsidiaries transferred the BSS Business to BSS Corp.; (ii) EchoStar completed the Distribution; and (iii) immediately after the Distribution, (1) BSS Corp. became a wholly-owned subsidiary of DISH such that DISH owns and operates the BSS Business and (2) each issued and outstanding share of BSS Common Stock owned by EchoStar stockholders was converted into the right to receive 0.23523769 shares of DISH Common Stock. Following the consummation of the BSS Transaction, we no longer operate the BSS Business, which was a substantial portion of our ESS segment. The Master Transaction Agreement contained customary representations and warranties by the parties, including EchoStar's representations relating to the assets, liabilities and financial condition of the BSS Business, and representations by DISH Network relating to its financial condition and liabilities. EchoStar and DISH Network have agreed to indemnify each other against certain losses with respect to breaches of certain representations and covenants and certain retained and assumed liabilities, respectively.

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BSS Transaction Intellectual Property and Technology License Agreement. Effective September 2019, in connection with the BSS Transaction, we, EchoStar and DISH Network entered into an intellectual property and technology license agreement (the “BSS IPTLA”) pursuant to which we, EchoStar and its other subsidiaries and DISH Network license to each other certain intellectual property and technology. The BSS IPTLA will continue in perpetuity, unless mutually terminated by the parties. Pursuant to the BSS IPTLA, we, EchoStar and its other subsidiaries granted to DISH Network a license to our and their intellectual property and technology for use by DISH Network, among other things, in connection with its continued operation of the BSS Business acquired pursuant to the BSS Transaction, including a limited license to use the “ESS” and “ECHOSTAR SATELLITE SERVICES” trademarks during a transition period. EchoStar retains full ownership of the “ESS” and “ECHOSTAR SATELLITE SERVICES” trademarks. In addition, DISH Network granted a license back to us, EchoStar and its other subsidiaries, among other things, for the continued use of all intellectual property and technology that is used in our, EchoStar and its other subsidiaries’ retained businesses but the ownership of which was transferred to DISH Network pursuant to the BSS Transaction.

BSS Transaction Tax Matters Agreement. Effective September 2019, in connection with the BSS Transaction, EchoStar, BSS Corp. and DISH entered into a tax matters agreement. This agreement governs certain rights, responsibilities and obligations of EchoStar and its subsidiaries’ with respect to taxes of the BSS Business transferred pursuant to the BSS Transaction. Generally, EchoStar is responsible for all tax returns and tax liabilities for the BSS Business for periods prior to the BSS Transaction and DISH is responsible for all tax returns and tax liabilities for the BSS Business from and after the BSS Transaction.

Both EchoStar and DISH made certain tax-related representations and are subject to various tax-related covenants after the consummation of the BSS Transaction. Both EchoStar and DISH Network have agreed to indemnify each other for certain losses if there is a breach of any of the tax representations or violation of any of the tax covenants in the tax matters agreement and that breach or violation results in the failure of the BSS Transaction being treated as a transaction that is tax-free for EchoStar or its stockholders for U.S. federal income tax purposes. In addition, DISH Network has agreed to indemnify EchoStar if the BSS Business is acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons, where either it took an action, or knowingly facilitated, consented to or assisted with an action by its stockholders, that resulted in the failure of the BSS Transaction being treated as a transaction that is tax-free for EchoStar and its stockholders for U.S. federal income tax purposes. This tax matters agreement supplements the Tax Sharing Agreement outlined above and the Share Exchange Tax Matters Agreement outlined below, both of which continue in full force and effect.

BSS Transaction Employee Matters Agreement. Effective September 2019, in connection with the BSS Transaction, EchoStar and DISH Network entered into an employee matters agreement that addressed the transfer of employees from us to DISH Network, including certain benefit and compensation matters and the allocation of responsibility for employee related liabilities relating to current and past employees of the BSS Business. DISH Network assumed employee-related liabilities relating to the BSS Business as part of the BSS Transaction, except that EchoStar is responsible for certain pre-BSS Transaction compensation and benefits for employees who transferred to DISH Network in connection with the BSS Transaction.

Share Exchange Agreement. In February 2017 EchoStar consummated the Share Exchange, following which EchoStar and certain of its and our subsidiaries no longer operate the transferred EchoStar Technologies businesses and the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect. Pursuant to the Share Exchange Agreement, EchoStar and certain of its and our subsidiaries transferred certain assets, investments in joint ventures, spectrum licenses and real estate properties and DISH Network assumed certain liabilities relating to the transferred assets and businesses. The Share Exchange Agreement contained customary representations and warranties by the parties, including representations by EchoStar related to the transferred assets, assumed liabilities and the financial condition of the transferred businesses. EchoStar and DISH Network also agreed to customary indemnification provisions whereby each party indemnifies the other against certain losses with respect to breaches of representations, warranties or covenants and certain liabilities and if certain actions undertaken by EchoStar or DISH causes the transaction to be taxable to the other party after closing.

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Share Exchange Intellectual Property and Technology License Agreement. Effective March 2017, in connection with the Share Exchange, EchoStar and one of its other subsidiaries and DISH Network entered into an intellectual property and technology license agreement (“IPTLA”) pursuant to which we, EchoStar and its other subsidiaries and DISH Network license to each other certain intellectual property and technology. The IPTLA will continue in perpetuity, unless mutually terminated by the parties. Pursuant to the IPTLA, we, EchoStar and its other subsidiaries granted to DISH Network a license to our and their intellectual property and technology for use by DISH Network, among other things, in connection with its continued operation of the businesses acquired pursuant to the Share Exchange, including a limited license to use the “ECHOSTAR” trademark during a transition period. EchoStar retains full ownership of the “ECHOSTAR” trademark. In addition, DISH Network granted a license back to us, EchoStar and its other subsidiaries, among other things, for the continued use of all intellectual property and technology that is used in our, EchoStar and its other subsidiaries’ retained businesses but the ownership of which was transferred to DISH Network pursuant to the Share Exchange.

Share Exchange Tax Matters Agreement. Effective March 2017, in connection with the Share Exchange, EchoStar and DISH entered into a tax matters agreement. This agreement governs certain rights, responsibilities and obligations of EchoStar and its subsidiaries with respect to taxes of the transferred businesses pursuant to the Share Exchange. Generally, EchoStar is responsible for all tax returns and tax liabilities for the transferred businesses and assets for periods prior to the Share Exchange and DISH Network is responsible for all tax returns and tax liabilities for the transferred businesses and assets from and after the Share Exchange. Both EchoStar and DISH Network made certain tax-related representations and are subject to various tax-related covenants after the consummation of the Share Exchange. Both EchoStar and DISH Network have agreed to indemnify each other if there is a breach of any such tax representation or violation of any such tax covenant and that breach or violation results in the Share Exchange not qualifying for tax free treatment for the other party. In addition, DISH Network has agreed to indemnify EchoStar if the transferred businesses are acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons and such acquisition results in the Share Exchange not qualifying for tax free treatment. The tax matters agreement supplements the Tax Sharing Agreement outlined above which continues in full force and effect.

NOTE 13. RELATED PARTY TRANSACTIONS - OTHER

Hughes Systique Corporation

We contract with Hughes Systique Corporation (“Hughes Systique”) for software development services. In addition to our approximately 42% ownership in Hughes Systique, Mr. Pradman Kaul, the President of our subsidiary Hughes Communications and a member of our board of directors, and his brother, who is the Chief Executive Officer and President of Hughes Systique, own in the aggregate approximately 25%, on an undiluted basis, of Hughes Systique’s outstanding shares as of September 30, 2022. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. Hughes Systique is a variable interest entity and we are considered the primary beneficiary of Hughes Systique due to, among other factors, our ability to direct the activities that most significantly impact the economic performance of Hughes Systique. As a result, we consolidate Hughes Systique’s financial statements in these Consolidated Financial Statements.

TerreStar Solutions

DISH Network owns more than 15% of TerreStar Solutions, Inc. (“TSI”). In May 2018, we and TSI entered into an equipment and services agreement pursuant to which we design, manufacture and install upgraded ground communications network equipment for TSI’s network and provide, among other things, warranty and support services. We recognized revenue of \$0.5 million and \$0.5 million for the three months ended September 30, 2022 and 2021, respectively, and \$1.5 million and \$1.4 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022 we had \$0.5 million of trade accounts receivable from TSI.

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NOTE 14. CONTINGENCIES**Patents and Intellectual Property**

Many entities, including some of our competitors, have, or may have in the future, patents and other intellectual property rights that cover or affect products or services directly or indirectly related to those that we offer. We may not be aware of all patents and other intellectual property rights that our products and services may potentially infringe. Damages in patent infringement cases can be substantial, and in certain circumstances can be tripled. Further, we cannot estimate the extent to which we may be required in the future to obtain licenses with respect to intellectual property rights held by others and the availability and cost of any such licenses. Various parties have asserted patent and other intellectual property rights with respect to our products and services. We cannot be certain that these parties do not own the rights they claim, that these rights are not valid or that our products and services do not infringe on these rights. Further, we cannot be certain that we would be able to obtain licenses from these parties on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products and services to avoid infringement.

Certain Arrangements with DISH Network

In connection with EchoStar's spin-off from DISH in 2008, EchoStar entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar assumed certain liabilities that relate to its and our business, including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which EchoStar will generally only be liable for its and its subsidiaries' acts or omissions following the Spin-off and DISH Network will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network's acts or omissions following the Spin-off. In connection with the Share Exchange and BSS Transaction, EchoStar and certain of its and our subsidiaries entered into the Share Exchange Agreement and the Master Transaction Agreement, respectively, and other agreements which provide, among other things, for the division of certain liabilities, including liabilities relating to taxes, intellectual property and employees and liabilities resulting from litigation and the assumption of certain liabilities that relate to the transferred businesses and assets. These agreements also contain additional indemnification provisions between EchoStar and us and DISH Network for, in the case of the Share Exchange, certain pre-existing liabilities and legal proceedings and, in the case of the BSS Transaction, certain losses with respect to breaches of certain representations and covenants and certain liabilities.

Litigation

We are involved in a number of legal proceedings concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable and to determine if accruals are appropriate. We record an accrual for litigation and other loss contingencies when we determine that a loss is probable, and the amount of the loss can be reasonably estimated. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made. There can be no assurance that legal proceedings against us will be resolved in amounts that will not differ from the amounts of our recorded accruals. Legal fees and other costs of defending legal proceedings are charged to expense as incurred.

For certain proceedings, management is unable to predict with any degree of certainty the outcome or provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons: (i) the proceedings are in various stages; (ii) damages have not been sought or specified; (iii) damages are unsupported, indeterminate and/or exaggerated in management's opinion; (iv) there is uncertainty as to the outcome of pending trials, appeals, motions or other proceedings; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties are involved (as with many patent-related cases). Except as described below, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material effect on our financial condition, operating results or cash flows, though there is no assurance that the resolution and outcomes of these

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proceedings, individually or in the aggregate, will not be material to our financial condition, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

We intend to vigorously defend the proceedings against us. In the event that a court, tribunal, other body or jury ultimately rules against us, we may be subject to adverse consequences, including, without limitation, substantial damages, which may include treble damages, fines, penalties, compensatory damages and/or other equitable or injunctive relief that could require us to materially modify our business operations or certain products or services that we offer to our consumers.

Shareholder Litigation

On July 2, 2019, the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust, purporting to sue on behalf of a class of EchoStar Corporation's stockholders, filed a complaint in the District Court of Clark County, Nevada against EchoStar's directors, Charles W. Ergen, R. Stanton Dodge, Anthony M. Federico, Pradman P. Kaul, C. Michael Schroeder, Jeffrey R. Tarr, William D. Wade, and Michael T. Dugan; our chief financial officer, David J. Rayner; EchoStar; HSSC; our former subsidiary BSS Corp.; and DISH and its subsidiary Merger Sub. On September 5, 2019, the defendants filed motions to dismiss. On October 11, 2019, the plaintiffs filed an amended complaint removing Messrs. Dodge, Federico, Kaul, Schroeder, Tarr and Wade as defendants. The amended complaint alleges that Mr. Ergen, as our controlling stockholder, breached fiduciary duties to EchoStar's minority stockholders by structuring the BSS Transaction with inadequate consideration and improperly influencing our and EchoStar's boards of directors to approve the BSS Transaction. The amended complaint also alleges that the other defendants aided and abetted such alleged breaches. The plaintiffs seek equitable and monetary relief, including the issuance of additional DISH Common Stock, and other costs and disbursements, including attorneys' fees on behalf of the purported class. On November 11, 2019, we and the other defendants filed separate motions to dismiss plaintiff's amended complaint and during a hearing on January 13, 2020 the court denied these motions. On February 10, 2020, we and the other defendants filed answers to the amended complaint. The Court certified plaintiff's class on January 11, 2021. On June 18, 2021, the parties executed a settlement agreement to resolve all claims in this case. On the same day, the parties filed a joint motion for preliminary approval of the settlement agreement. The motion was granted by an order dated July 30, 2021. On December 9, 2021, the Court held a final settlement hearing. On December 10, 2021, the Court issued an Order granting final approval of the settlement agreement. In an order dated October 24, 2022, the Court granted plaintiff's unopposed motion to approve the class distribution plan.

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(Unaudited)

License Fee Dispute with Government of India, Department of Telecommunications

In 1994, the Government of India promulgated a “National Telecommunications Policy” under which the government liberalized the telecommunications sector and required telecommunications service providers to pay fixed license fees. Pursuant to this policy, our subsidiary Hughes Communications India Private Limited (“HCIPL”), formerly known as Hughes Escorts Communications Limited, obtained a license to operate a data network over satellite using VSAT systems. In 2002, HCIPL’s license was amended pursuant to a new government policy that was first established in 1999. The new policy eliminated the fixed license fees and instead required each telecommunications service provider to pay license fees based on its adjusted gross revenue (“AGR”). In March 2005, the Indian Department of Telecommunications (“DOT”) notified HCIPL that, based on its review of HCIPL’s audited accounts and AGR statements, HCIPL must pay additional license fees and penalties and interest on such fees and penalties. HCIPL responded that the DOT had improperly calculated its AGR by including revenue from licensed and unlicensed activities. The DOT rejected this explanation and in 2006, HCIPL filed a petition with an administrative tribunal (the “Tribunal”), challenging the DOT’s calculation of its AGR. The DOT also issued license fee assessments to other telecommunications service providers and a number of similar petitions were filed by several other such providers with the Tribunal. These petitions were amended, consolidated, remanded and re-appealed several times. On April 23, 2015, the Tribunal issued a judgment affirming the DOT’s calculation of AGR for the telecommunications service providers but reversing the DOT’s imposition of interest, penalties and interest on such penalties as excessive. Over subsequent years, the DOT and HCIPL and other telecommunications service providers, respectively, filed several appeals of the Tribunal’s ruling. On October 24, 2019, the Supreme Court of India (“Supreme Court”) issued an order (the “October 2019 Order”) affirming the license fee assessments imposed by the DOT, including its imposition of interest, penalties and interest on the penalties, but without indicating the amount HCIPL is required to pay the DOT, and ordering payment by January 23, 2020. On November 23, 2019, HCIPL and other telecommunication service providers filed a petition asking the Supreme Court to reconsider the October 2019 Order. The petition was denied on January 20, 2020. On January 22, 2020, HCIPL and other telecommunication service providers filed an application requesting that the Supreme Court modify the October 2019 Order to permit the DOT to calculate the final amount due and extend HCIPL’s and the other telecommunication service providers’ payment deadline. On February 14, 2020, the Supreme Court directed HCIPL and the other telecommunication service providers to explain why the Supreme Court should not initiate contempt proceedings for failure to pay the amounts due. During a hearing on March 18, 2020, the Supreme Court ordered that all amounts that were due before the October 2019 Order must be paid, including interest, penalties and interest on the penalties. The Supreme Court also ordered that the parties appear for a further hearing addressing, potentially among other things, a proposal by the DOT to allow for extended or deferred payments of amounts due. On June 11, 2020, the Supreme Court ordered HCIPL and the other telecommunication service providers to submit affidavits addressing the proposal made by the DOT to extend the time frame for payment of the amounts owed and for HCIPL and the other telecommunication providers to provide security for such payments. On September 1, 2020, the Supreme Court issued a judgment permitting a 10-year payment schedule. Under this payment schedule, HCIPL is required to make an annual payment every March 31, through 2031. Following the Supreme Court of India’s October 2019 judgment, HCIPL made payments during the first quarter of 2020, and additional payments on March 31, 2021 and March 31, 2022.

The following table presents the components of the accrual:

	As of	
	September 30, 2022	December 31, 2021
Additional license fees	\$ 3,481	\$ 3,812
Penalties	3,572	3,912
Interest and interest on penalties	78,294	81,389
Less: Payments	(18,072)	(8,451)
Total accrual	67,275	80,662
Less: Current portion	10,355	11,178
Total long-term accrual	\$ 56,920	\$ 69,484

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Any eventual payments made with respect to the ultimate outcome of this matter may be different from our accrual and such differences could be significant.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims, which arise in the ordinary course of business. As part of our ongoing operations, we are subject to various inspections, audits, inquiries, investigations and similar actions by third parties, as well as by governmental/regulatory authorities responsible for enforcing the laws and regulations to which we may be subject. Further, under the federal False Claims Act, private parties have the right to bring qui tam, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the federal government. Some states have adopted similar state whistleblower and false claims provisions. In addition, we from time to time receive inquiries from federal, state and foreign agencies regarding compliance with various laws and regulations.

In our opinion, the amount of ultimate liability with respect to any of these other actions is unlikely to materially affect our financial position, results of operations or cash flows, though the resolutions and outcomes, individually or in the aggregate, could be material to our financial position, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

We also indemnify our directors, officers and employees for certain liabilities that might arise from the performance of their responsibilities for us. Additionally, in the normal course of its business, we enter into contracts pursuant to which we may make a variety of representations and warranties and indemnify the counterparty for certain losses. Our possible exposure under these arrangements cannot be reasonably estimated as this involves the resolution of claims made, or future claims that may be made, against us or our officers, directors or employees, the outcomes of which are unknown and not currently predictable or estimable.

NOTE 15. SEGMENT REPORTING

Business segments are components of an enterprise for which separate financial information is available and regularly evaluated by our chief operating decision maker ("CODM"), who is our Chief Executive Officer. We operate in two business segments, Hughes segment and ESS segment.

The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, and net income (loss) attributable to non-controlling interests ("EBITDA").

Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis.

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

The following table presents total revenue, capital expenditures and EBITDA for each of our business segments:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the three months ended September 30, 2022				
External revenue	\$ 489,565	\$ 4,588	\$ 5,013	\$ 499,166
Intersegment revenue	—	393	(393)	—
Total revenue	<u>\$ 489,565</u>	<u>\$ 4,981</u>	<u>\$ 4,620</u>	<u>\$ 499,166</u>
Capital expenditures	\$ 50,783	\$ —	\$ —	\$ 50,783
EBITDA	<u>\$ 175,011</u>	<u>\$ 3,446</u>	<u>\$ (12,552)</u>	<u>\$ 165,905</u>
For the three months ended September 30, 2021				
External revenue	\$ 496,937	\$ 4,347	\$ 5,284	\$ 506,568
Intersegment revenue	—	89	(89)	—
Total revenue	<u>\$ 496,937</u>	<u>\$ 4,436</u>	<u>\$ 5,195</u>	<u>\$ 506,568</u>
Capital expenditures	\$ 74,259	\$ —	\$ —	\$ 74,259
EBITDA	<u>\$ 196,970</u>	<u>\$ 2,319</u>	<u>\$ (6,252)</u>	<u>\$ 193,037</u>
	Hughes	ESS	Corporate and Other	Consolidated Total
For the nine months ended September 30, 2022				
External revenue	\$ 1,475,512	\$ 13,366	\$ 15,029	\$ 1,503,907
Intersegment revenue	—	939	(939)	—
Total revenue	<u>\$ 1,475,512</u>	<u>\$ 14,305</u>	<u>\$ 14,090</u>	<u>\$ 1,503,907</u>
Capital expenditures	\$ 176,665	\$ —	\$ —	\$ 176,665
EBITDA	<u>\$ 546,109</u>	<u>\$ 9,658</u>	<u>\$ (34,638)</u>	<u>\$ 521,129</u>
For the nine months ended September 30, 2021				
External revenue	\$ 1,465,073	\$ 12,543	\$ 16,055	\$ 1,493,671
Intersegment revenue	—	265	(265)	—
Total revenue	<u>\$ 1,465,073</u>	<u>\$ 12,808</u>	<u>\$ 15,790</u>	<u>\$ 1,493,671</u>
Capital expenditures	\$ 228,641	\$ —	\$ —	\$ 228,641
EBITDA	<u>\$ 605,742</u>	<u>\$ 6,481</u>	<u>\$ (23,787)</u>	<u>\$ 588,436</u>

The following table reconciles *Income (loss) before income taxes* in the Consolidated Statements of Operations to EBITDA:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Income (loss) before income taxes	\$ 45,497	\$ 54,212	\$ 131,382	\$ 136,488
Interest income, net	(8,881)	(2,032)	(15,440)	(6,108)
Interest expense, net of amounts capitalized	22,787	23,943	69,261	102,948
Depreciation and amortization	103,648	113,722	327,190	348,689
Net loss (income) attributable to non-controlling interests	2,854	3,192	8,736	6,419
EBITDA	<u>\$ 165,905</u>	<u>\$ 193,037</u>	<u>\$ 521,129</u>	<u>\$ 588,436</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

NOTE 16. SUPPLEMENTAL FINANCIAL INFORMATION**Other Current Assets, Net and Other Non-current Assets, Net**

The following table presents the components of *Other current assets, net* and *Other non-current assets, net*:

	As of	
	September 30, 2022	December 31, 2021
Other current assets, net:		
Related party receivables - EchoStar	114,293	122,619
Inventory	115,372	102,907
Prepays and deposits	9,661	27,737
Trade accounts receivable - DISH Network	\$ 2,982	\$ 3,457
Other, net	23,056	20,124
Total other current assets	<u>\$ 265,364</u>	<u>\$ 276,844</u>
Other non-current assets, net:		
Capitalized software, net	\$ 117,995	\$ 124,701
Contract acquisition costs, net	70,492	82,986
Related party receivables - EchoStar	51,704	56,055
Deferred tax assets, net	6,643	5,411
Restricted cash	1,308	980
Contract fulfillment costs, net	1,859	1,721
Other, net	31,213	30,986
Total other non-current assets, net	<u>\$ 281,214</u>	<u>\$ 302,840</u>

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(Unaudited)

Accrued Expenses and Other Current Liabilities and Other Non-Current Liabilities

The following table presents the components of *Accrued expenses and other current liabilities* and *Other non-current liabilities*:

	As of	
	September 30, 2022	December 31, 2021
Accrued expenses and other current liabilities:		
Related party payables - EchoStar	\$ 124,409	\$ 124,578
Accrued compensation	45,188	45,630
Operating lease obligation	17,302	16,697
Accrued interest	16,496	39,289
Accrued taxes	10,411	9,790
Accrual for license fee dispute	10,355	11,178
Trade accounts payable - DISH Network	428	587
Other	57,473	61,130
Total accrued expenses and other current liabilities	\$ 282,062	\$ 308,879
Other non-current liabilities:		
Accrual for license fee dispute	56,920	69,484
Related party payables - EchoStar	\$ 22,450	\$ 24,118
Contract liabilities	8,797	10,669
Other	47,067	48,980
Total other non-current liabilities	\$ 135,234	\$ 153,251

Inventory

The following table presents the components of inventory:

	As of	
	September 30, 2022	December 31, 2021
Raw materials	\$ 31,609	\$ 13,778
Work-in-process	13,825	11,705
Finished goods	69,938	77,424
Total inventory	\$ 115,372	\$ 102,907

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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Supplemental and Non-cash Investing and Financing Activities

The following table presents the supplemental and non-cash investing and financing activities:

	For the nine months ended September 30,	
	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 92,795	\$ 119,662
Cash paid for income taxes	\$ 8,317	\$ 6,835
Non-cash investing and financing activities:		
Increase (decrease) in capital expenditures included in accounts payable, net	\$ (7,097)	\$ (1,066)
Non-cash net assets received as part of the India JV formation	\$ 36,701	\$ —

NOTE 17. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR FINANCIAL INFORMATION

Certain of our wholly-owned subsidiaries (together, the "Guarantor Subsidiaries") have fully and unconditionally guaranteed, on a joint and several basis, the obligations of our 5 1/4% Senior Secured Notes due August 1, 2026 and 6 5/8% Senior Unsecured Notes due August 1, 2026 (collectively, the "Notes").

The indentures governing the Notes contain restrictive covenants that, among other things, impose limitations on our ability and the ability of certain of our subsidiaries to pay dividends or make distributions, incur additional debt, make certain investments, create liens or enter into sale and leaseback transactions, merge or consolidate with another company, transfer and sell assets, enter into transactions with affiliates or allow to exist certain restrictions on the ability of certain of our subsidiaries to pay dividends, make distributions, make other payments, or transfer assets to us.

In lieu of separate financial statements of the Guarantor Subsidiaries, we have prepared the accompanying consolidating financial information in accordance with Rule 3-10(f) of Regulation S-X. This includes:

- the accompanying balance sheet;
- the accompanying statement of operations and comprehensive income (loss); and
- the accompanying statement of cash flows.

This also includes consolidating financial information as follows:

- the Guarantor Subsidiaries on a combined basis;
- the non-guarantor subsidiaries of HSSC on a combined basis; and
- the eliminations necessary to arrive at the corresponding information of HSSC on a consolidated basis.

This accompanying consolidating financial information should be read in conjunction with these Consolidated Financial Statements.

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(Unaudited)

Consolidating Balance Sheet as of September 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 751,481	\$ 15,339	\$ 62,906	\$ —	\$ 829,726
Marketable investment securities	493,310	—	—	—	493,310
Trade accounts receivable and contract assets, net	—	179,718	63,965	—	243,683
Other current assets, net	65,544	1,283,858	224,144	(1,308,182)	265,364
Total current assets	1,310,335	1,478,915	351,015	(1,308,182)	1,832,083
Non-current assets:					
Property and equipment, net	—	1,148,409	253,193	—	1,401,602
Operating lease right-of-use assets	—	120,196	26,706	—	146,902
Goodwill	—	504,173	28,397	—	532,570
Regulatory authorizations, net	—	400,000	8,542	—	408,542
Other intangible assets, net	—	12,870	3,453	—	16,323
Other investments, net	8,359	—	76,426	—	84,785
Investment in subsidiaries	3,243,677	305,871	—	(3,549,548)	—
Other non-current assets, net	1,180	275,821	155,656	(151,443)	281,214
Total non-current assets	3,253,216	2,767,340	552,373	(3,700,991)	2,871,938
Total assets	\$ 4,563,551	\$ 4,246,255	\$ 903,388	\$ (5,009,173)	\$ 4,704,021
Liabilities and Shareholder's Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 82,800	\$ 10,048	\$ —	\$ 92,848
Contract liabilities	—	123,232	4,352	—	127,584
Accrued expenses and other current liabilities	1,084,109	225,523	280,612	(1,308,182)	282,062
Total current liabilities	1,084,109	431,555	295,012	(1,308,182)	502,494
Non-current liabilities:					
Long-term debt, net	1,496,578	—	—	—	1,496,578
Deferred tax liabilities, net	—	345,914	12,822	(469)	358,267
Operating lease liabilities	—	110,135	22,230	—	132,365
Other non-current liabilities	—	115,536	170,672	(150,974)	135,234
Total non-current liabilities	1,496,578	571,585	205,724	(151,443)	2,122,444
Total liabilities	2,580,687	1,003,140	500,736	(1,459,625)	2,624,938
Shareholder's equity:					
Total Hughes Satellite Systems Corporation shareholder's equity	1,982,864	3,243,115	306,433	(3,549,548)	1,982,864
Non-controlling interests	—	—	96,219	—	96,219
Total shareholder's equity	1,982,864	3,243,115	402,652	(3,549,548)	2,079,083
Total liabilities and shareholder's equity	\$ 4,563,551	\$ 4,246,255	\$ 903,388	\$ (5,009,173)	\$ 4,704,021

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Balance Sheet as of December 31, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 324,764	\$ 42,550	\$ 61,854	\$ —	\$ 429,168
Marketable investment securities	854,502	—	—	—	854,502
Trade accounts receivable and contract assets, net	—	127,350	54,713	—	182,063
Other current assets, net	170,283	1,056,871	94,185	(1,044,495)	276,844
Total current assets	1,349,549	1,226,771	210,752	(1,044,495)	1,742,577
Non-current assets:					
Property and equipment, net	—	1,209,859	313,588	—	1,523,447
Operating lease right-of-use assets	—	117,912	30,309	—	148,221
Goodwill	—	504,173	6,913	—	511,086
Regulatory authorizations, net	—	400,000	8,959	—	408,959
Other intangible assets, net	—	13,984	—	—	13,984
Other investments, net	—	9,600	81,626	—	91,226
Investment in subsidiaries	3,126,926	292,211	—	(3,419,137)	—
Other non-current assets, net	1,191	299,149	97,305	(94,805)	302,840
Total non-current assets	3,128,117	2,846,888	538,700	(3,513,942)	2,999,763
Total assets	\$ 4,477,666	\$ 4,073,659	\$ 749,452	\$ (4,558,437)	\$ 4,742,340
Liabilities and Shareholder's Equity					
Current liabilities:					
Trade accounts payable	\$ —	\$ 92,156	\$ 13,321	\$ —	\$ 105,477
Contract liabilities	—	134,474	6,869	—	141,343
Accrued expenses and other current liabilities	972,936	218,463	161,975	(1,044,495)	308,879
Total current liabilities	972,936	445,093	182,165	(1,044,495)	555,699
Non-current liabilities:					
Long-term debt, net	1,495,994	—	—	—	1,495,994
Deferred tax liabilities, net	—	334,148	258	—	334,406
Operating lease liabilities	—	108,431	25,570	—	134,001
Other non-current liabilities	—	59,623	188,432	(94,804)	153,251
Total non-current liabilities	1,495,994	502,202	214,260	(94,804)	2,117,652
Total liabilities	2,468,930	947,295	396,425	(1,139,299)	2,673,351
Shareholder's equity:					
Total Hughes Satellite Systems Corporation shareholder's equity	2,008,736	3,126,364	292,774	(3,419,138)	2,008,736
Non-controlling interests	—	—	60,253	—	60,253
Total shareholder's equity	2,008,736	3,126,364	353,027	(3,419,138)	2,068,989
Total liabilities and shareholder's equity	\$ 4,477,666	\$ 4,073,659	\$ 749,452	\$ (4,558,437)	\$ 4,742,340

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended September 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 331,453	\$ 78,443	\$ (6,734)	\$ 403,162
Equipment revenue	—	94,371	7,087	(5,454)	96,004
Total revenue	—	425,824	85,530	(12,188)	499,166
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	109,191	41,481	(7,353)	143,319
Cost of sales - equipment (exclusive of depreciation and amortization)	—	73,821	4,852	(4,345)	74,328
Selling, general and administrative expenses	—	85,551	20,457	(490)	105,518
Research and development expenses	—	9,082	99	—	9,181
Depreciation and amortization	—	71,414	32,234	—	103,648
Total costs and expenses	—	349,059	99,123	(12,188)	435,994
Operating income (loss)	—	76,765	(13,593)	—	63,172
Other income (expense):					
Interest income, net	7,738	1,350	1,059	(1,266)	8,881
Interest expense, net of amounts capitalized	(22,463)	1,064	(2,654)	1,266	(22,787)
Gains (losses) on investments, net	—	—	—	—	—
Equity in earnings (losses) of unconsolidated affiliates, net	319	—	(1,745)	—	(1,426)
Equity in earnings (losses) of subsidiaries, net	43,769	(17,534)	—	(26,235)	—
Foreign currency transaction gains (losses), net	—	1,968	(4,055)	—	(2,087)
Other, net	—	—	(256)	—	(256)
Total other income (expense), net	29,363	(13,152)	(7,651)	(26,235)	(17,675)
Income (loss) before income taxes	29,363	63,613	(21,244)	(26,235)	45,497
Income tax benefit (provision), net	3,293	(19,844)	856	—	(15,695)
Net income (loss)	32,656	43,769	(20,388)	(26,235)	29,802
Less: Net loss (income) attributable to non-controlling interests	—	—	2,854	—	2,854
Net income (loss) attributable to HSSC	\$ 32,656	\$ 43,769	\$ (17,534)	\$ (26,235)	\$ 32,656
Comprehensive income (loss):					
Net income (loss) from continuing operations	\$ 32,656	\$ 43,769	\$ (20,388)	\$ (26,235)	\$ 29,802
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(16,452)	—	(16,452)
Unrealized gains (losses) on available-for-sale securities	327	—	—	—	327
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale securities	—	—	—	—	—
Equity in other comprehensive income (loss) of subsidiaries, net	(14,197)	(14,197)	—	28,394	—
Total other comprehensive income (loss), net of tax	(13,870)	(14,197)	(16,452)	28,394	(16,125)
Comprehensive income (loss)	18,786	29,572	(36,840)	2,159	13,677
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	5,108	—	5,108
Comprehensive income (loss) attributable to HSSC	\$ 18,786	\$ 29,572	\$ (31,732)	\$ 2,159	\$ 18,785

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended September 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 362,584	\$ 81,430	\$ (9,366)	\$ 434,648
Equipment revenue	—	70,025	5,047	(3,152)	71,920
Total revenue	—	432,609	86,477	(12,518)	506,568
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	103,310	41,973	(9,107)	136,176
Cost of sales - equipment (exclusive of depreciation and amortization)	—	61,692	3,713	(3,079)	62,326
Selling, general and administrative expenses	—	81,624	22,163	(332)	103,455
Research and development expenses	—	7,810	164	—	7,974
Depreciation and amortization	—	78,445	35,277	—	113,722
Total costs and expenses	—	332,881	103,290	(12,518)	423,653
Operating income (loss)	—	99,728	(16,813)	—	82,915
Other income (expense):					
Interest income, net	702	1,342	1,241	(1,253)	2,032
Interest expense, net of amounts capitalized	(22,452)	315	(3,059)	1,253	(23,943)
Gains (losses) on investments, net	8	—	—	—	8
Equity in earnings (losses) of unconsolidated affiliates, net	—	389	(1,556)	—	(1,167)
Equity in earnings (losses) of subsidiaries, net	54,371	(23,636)	—	(30,735)	—
Foreign currency transaction gains (losses), net	—	(46)	(6,251)	—	(6,297)
Other, net	1	—	663	—	664
Total other income (expense), net	32,630	(21,636)	(8,962)	(30,735)	(28,703)
Income (loss) before income taxes	32,630	78,092	(25,775)	(30,735)	54,212
Income tax benefit (provision), net	4,917	(23,721)	(1,053)	—	(19,857)
Net income (loss)	37,547	54,371	(26,828)	(30,735)	34,355
Less: Net loss (income) attributable to non-controlling interests	—	—	3,192	—	3,192
Net income (loss) attributable to HSSC	\$ 37,547	\$ 54,371	\$ (23,636)	\$ (30,735)	\$ 37,547
Comprehensive income (loss):					
Net income (loss) from continuing operations	\$ 37,547	\$ 54,371	\$ (26,828)	\$ (30,735)	\$ 34,355
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(30,215)	—	(30,215)
Unrealized gains (losses) on available-for-sale securities	(235)	—	—	—	(235)
Other	—	—	(99)	—	(99)
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale securities	(5)	—	—	—	(5)
Equity in other comprehensive income (loss) of subsidiaries, net	(24,747)	(24,747)	—	49,494	—
Total other comprehensive income (loss), net of tax	(24,987)	(24,747)	(30,314)	49,494	(30,554)
Comprehensive income (loss)	12,560	29,624	(57,142)	18,759	3,801
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	8,760	—	8,760
Comprehensive income (loss) attributable to HSSC	\$ 12,560	\$ 29,624	\$ (48,382)	\$ 18,759	\$ 12,561

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 1,016,575	\$ 242,844	\$ (18,853)	\$ 1,240,566
Equipment revenue	—	260,913	18,367	(15,939)	263,341
Total revenue	—	1,277,488	261,211	(34,792)	1,503,907
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	321,501	126,025	(22,237)	425,289
Cost of sales - equipment (exclusive of depreciation and amortization)	—	212,955	11,693	(11,167)	213,481
Selling, general and administrative expenses	—	261,154	64,195	(1,388)	323,961
Research and development expenses	—	25,298	264	—	25,562
Depreciation and amortization	—	222,381	104,809	—	327,190
Total costs and expenses	—	1,043,289	306,986	(34,792)	1,315,483
Operating income (loss)	—	234,199	(45,775)	—	188,424
Other income (expense):					
Interest income	12,049	4,052	3,146	(3,807)	15,440
Interest expense, net of amounts capitalized	(67,380)	2,843	(8,531)	3,807	(69,261)
Gains (losses) on investments, net	(3)	217	—	—	214
Equity in earnings (losses) of unconsolidated affiliates, net	319	440	(5,200)	—	(4,441)
Equity in earnings (losses) of subsidiaries, net	136,889	(52,582)	—	(84,307)	—
Foreign currency transaction gains (losses), net	—	5,775	(4,085)	—	1,690
Other, net	—	(271)	(413)	—	(684)
Total other income (expense), net	81,874	(39,526)	(15,083)	(84,307)	(57,042)
Income (loss) before income taxes	81,874	194,673	(60,858)	(84,307)	131,382
Income tax benefit (provision), net	12,577	(57,784)	(460)	—	(45,667)
Net income (loss)	94,451	136,889	(61,318)	(84,307)	85,715
Less: Net loss (income) attributable to non-controlling interests	—	—	8,736	—	8,736
Net income (loss) attributable to HSSC	\$ 94,451	\$ 136,889	\$ (52,582)	\$ (84,307)	\$ 94,451
Comprehensive income (loss):					
Net income (loss)	\$ 94,451	\$ 136,889	\$ (61,318)	\$ (84,307)	\$ 85,715
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(8,909)	—	(8,909)
Unrealized gains (losses) on available-for-sale securities	(189)	—	—	—	(189)
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale debt securities	3	—	—	—	3
Equity in other comprehensive income (loss) of subsidiaries, net	(9,217)	(9,217)	—	18,434	—
Total other comprehensive income (loss), net of tax	(9,403)	(9,217)	(8,909)	18,434	(9,095)
Comprehensive income (loss)	85,048	127,672	(70,227)	(65,873)	76,620
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	8,427	—	8,427
Comprehensive income (loss) attributable to HSSC	\$ 85,048	\$ 127,672	\$ (61,800)	\$ (65,873)	\$ 85,047

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	\$ —	\$ 1,087,981	\$ 239,052	\$ (26,077)	\$ 1,300,956
Equipment revenue	—	209,681	19,241	(36,207)	192,715
Total revenue	—	1,297,662	258,293	(62,284)	1,493,671
Costs and expenses:					
Cost of sales - services and other (exclusive of depreciation and amortization)	—	312,353	119,480	(26,695)	405,138
Cost of sales - equipment (exclusive of depreciation and amortization)	—	182,464	13,776	(34,272)	161,968
Selling, general and administrative expenses	—	246,679	66,479	(1,317)	311,841
Research and development expenses	—	22,444	516	—	22,960
Depreciation and amortization	—	255,140	93,549	—	348,689
Impairment of long-lived assets	—	210	—	—	210
Total costs and expenses	—	1,019,290	293,800	(62,284)	1,250,806
Operating income (loss)	—	278,372	(35,507)	—	242,865
Other income (expense):					
Interest income, net	2,614	3,935	3,251	(3,692)	6,108
Interest expense, net of amounts capitalized	(98,180)	621	(9,081)	3,692	(102,948)
Gains (losses) on investments, net	2	2,100	—	—	2,102
Equity in earnings (losses) of unconsolidated affiliates, net	—	1,014	(5,211)	—	(4,197)
Equity in earnings (losses) of subsidiaries, net	169,518	(51,000)	—	(118,518)	—
Foreign currency transaction gains (losses), net	—	(65)	(9,057)	—	(9,122)
Other, net	(1,938)	3,154	464	—	1,680
Total other income (expense), net	72,016	(40,241)	(19,634)	(118,518)	(106,377)
Income (loss) before income taxes	72,016	238,131	(55,141)	(118,518)	136,488
Income tax benefit (provision), net	22,048	(68,613)	(2,278)	—	(48,843)
Net income (loss)	94,064	169,518	(57,419)	(118,518)	87,645
Less: Net loss (income) attributable to non-controlling interests	—	—	6,419	—	6,419
Net income (loss) attributable to HSSC	\$ 94,064	\$ 169,518	\$ (51,000)	\$ (118,518)	\$ 94,064
Comprehensive income (loss):					
Net income (loss)	\$ 94,064	\$ 169,518	\$ (57,419)	\$ (118,518)	\$ 87,645
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(21,897)	—	(21,897)
Unrealized gains (losses) on available-for-sale securities	(205)	—	—	—	(205)
Other	—	—	(99)	—	(99)
Amounts reclassified to net income (loss):					
Realized losses (gains) on available-for-sale debt securities	(5)	—	—	—	(5)
Equity in other comprehensive income (loss) of subsidiaries, net	(19,159)	(19,159)	—	38,318	—
Total other comprehensive income (loss), net of tax	(19,369)	(19,159)	(21,996)	38,318	(22,206)
Comprehensive income (loss)	74,695	150,359	(79,415)	(80,200)	65,439
Less: Comprehensive loss (income) attributable to non-controlling interests	—	—	9,257	—	9,257
Comprehensive income (loss) attributable to HSSC	\$ 74,695	\$ 150,359	\$ (70,158)	\$ (80,200)	\$ 74,696

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Cash Flows
For the Nine months ended September 30, 2022

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:					
Net income (loss)	\$ 94,451	\$ 136,889	\$ (61,318)	\$ (84,307)	\$ 85,715
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(167,533)	239,770	103,629	84,307	260,173
Net cash provided by (used for) operating activities	(73,082)	376,659	42,311	—	345,888
Cash flows from investing activities:					
Purchases of marketable investment securities	(506,329)	—	—	—	(506,329)
Sales and maturities of marketable investment securities	866,353	—	—	—	866,353
Expenditures for property and equipment	—	(138,855)	(37,810)	—	(176,665)
Expenditures for externally marketed software	—	(16,926)	—	—	(16,926)
Distributions (contributions) and advances from (to) subsidiaries, net	237,775	—	—	(237,775)	—
India JV formation	—	(7,892)	—	—	(7,892)
Dividend received from unconsolidated affiliate	2,000	—	—	—	2,000
Net cash provided by (used for) investing activities	599,799	(163,673)	(37,810)	(237,775)	160,541
Cash flows from financing activities:					
Payment of finance lease obligations	—	—	(114)	—	(114)
Payment of in-orbit incentive obligations	—	(2,422)	—	—	(2,422)
Dividend paid to EchoStar	(100,000)	—	—	—	(100,000)
Contribution (distributions) and advances (to) from parent, net	—	(237,775)	—	237,775	—
Net cash provided by (used for) financing activities	(100,000)	(240,197)	(114)	237,775	(102,536)
Effect of exchange rates on cash and cash equivalents	—	—	(3,007)	—	(3,007)
Net increase (decrease) in cash and cash equivalents	426,717	(27,211)	1,380	—	400,886
Cash and cash equivalents, including restricted amounts, beginning of period	324,764	42,550	62,834	—	430,148
Cash and cash equivalents, including restricted amounts, end of period	<u>\$ 751,481</u>	<u>\$ 15,339</u>	<u>\$ 64,214</u>	<u>\$ —</u>	<u>\$ 831,034</u>

HUGHES SATELLITE SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(Unaudited)

Consolidating Statement of Cash Flows
For the Nine months ended September 30, 2021

	Hughes Satellite Systems Corporation	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:					
Net income (loss)	\$ 94,064	\$ 169,518	\$ (57,419)	\$ (118,518)	\$ 87,645
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(210,681)	352,453	108,585	118,518	368,875
Net cash provided by (used for) operating activities	(116,617)	521,971	51,166	—	456,520
Cash flows from investing activities:					
Purchases of marketable investment securities	(1,329,862)	—	—	—	(1,329,862)
Sales and maturities of marketable investment securities	1,669,757	—	—	—	1,669,757
Expenditures for property and equipment	—	(143,726)	(84,915)	—	(228,641)
Expenditures for externally marketed software	—	(25,634)	—	—	(25,634)
Distributions (contributions) and advances from (to) subsidiaries, net	317,848	(44,891)	—	(272,957)	—
Sales of other investments	—	9,451	—	—	9,451
Net cash provided by (used for) investing activities	657,743	(204,800)	(84,915)	(272,957)	95,071
Cash flows from financing activities:					
Repurchase and maturity of the 2021 Senior Unsecured Notes	(901,818)	—	—	—	(901,818)
Payment of finance lease obligations	—	—	(578)	—	(578)
Payment of in-orbit incentive obligations	—	(1,800)	—	—	(1,800)
Contribution by non-controlling interest holder	—	—	9,880	—	9,880
Other, net	—	—	(966)	—	(966)
Contribution (distributions) and advances (to) from parent, net	—	(317,848)	44,891	272,957	—
Net cash provided by (used for) financing activities	(901,818)	(319,648)	53,227	272,957	(895,282)
Effect of exchange rates on cash and cash equivalents	—	—	(2,986)	—	(2,986)
Net increase (decrease) in cash and cash equivalents	(360,692)	(2,477)	16,492	—	(346,677)
Cash and cash equivalents, including restricted amounts, beginning of period	649,851	46,055	45,391	—	741,297
Cash and cash equivalents, including restricted amounts, end of period	\$ 289,159	\$ 43,578	\$ 61,883	\$ —	\$ 394,620

ITEM 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

Unless the context indicates otherwise, the terms "we," "us," "HSSC," the "Company" and "our" refer to Hughes Satellite Systems Corporation and its subsidiaries. The following Management's Narrative Analysis of Results of Operations ("Management's Narrative Analysis") should be read in conjunction with our accompanying Consolidated Financial Statements and notes thereto ("Consolidated Financial Statements") in Item 1 of this Quarterly Report on Form 10-Q ("Form 10-Q"). This Management's Narrative Analysis is intended to help provide an understanding of our financial condition, changes in our financial condition and our results of operations. Many of the statements in this Management's Narrative Analysis are forward-looking statements that involve assumptions and are subject to risks and uncertainties that are often difficult to predict and beyond our control. Actual results could differ materially from those expressed or implied by such forward-looking statements. Refer to the Disclosure Regarding Forward-Looking Statements in this Form 10-Q for further discussion. For a discussion of additional risks, uncertainties and other factors that could impact our results of operations or financial condition, refer to the Risk Factors in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K ("Form 10-K") filed with the Securities and Exchange Commission ("SEC"). Further, such forward-looking statements speak only as of the date of this Form 10-Q and we undertake no obligation to update them.

EXECUTIVE SUMMARY

We are a holding company and a subsidiary of EchoStar Corporation ("EchoStar" and "parent"). We were formed as a Colorado corporation in March 2011. We are an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies and broadband internet products and services for consumer customers, which include home and small to medium-sized businesses, and satellite services and solutions for enterprise customers, which include aeronautical and government enterprises.

We currently operate in two business segments: Hughes segment and EchoStar Satellite Services segment ("ESS segment"). These segments are consistent with the way we make decisions regarding the allocation of resources, as well as how operating results are reviewed by our chief operating decision maker, who is the Company's Chief Executive Officer.

Our operations include various corporate functions (primarily Executive, Treasury, Strategic Development, Human Resources, Information Technology, Finance, Accounting, Real Estate and Legal) and other activities, such as costs incurred in certain satellite development programs and other business development activities, and gains or losses from certain of our investments, that have not been assigned to our business segments. These activities, costs and income, as well as eliminations of intersegment transactions, are accounted for in our Corporate and Other segment in our segment reporting.

All amounts presented in this Management's Narrative Analysis, unless otherwise noted, are expressed in thousands of U.S. dollars, except share and per share amounts and unless otherwise noted.

Highlights from our financial results are as follows:

Consolidated Results of Operations for the Nine Months Ended September 30, 2022:

- Revenue of \$1.5 billion
- Operating income of \$188.4 million
- Net income of \$85.7 million
- Net income attributable to HSSC of \$94.5 million
- Earnings before interest, taxes, depreciation and amortization, and net income (loss) attributable to non-controlling interests ("EBITDA") of \$521.1 million (see reconciliation of this non-GAAP measure in Results of Operations)

Consolidated Financial Condition as of September 30, 2022:

- Total assets of \$4.7 billion

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

- Total liabilities of \$2.6 billion
- Total shareholder's equity of \$2.1 billion
- Cash and cash equivalents and marketable investment securities of \$1.3 billion

Hughes Segment

Our Hughes segment is an industry leader in both networking technologies and services, innovating to deliver the global solutions that power a connected future for people, enterprises and things everywhere. We provide broadband satellite technologies and broadband internet products and services to consumer customers. We provide broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to government and enterprise customers. We also design, provide and install gateway and terminal equipment to customers for other satellite systems. In addition, we design, develop, construct and provide telecommunication networks comprising satellite ground segment systems and terminals to mobile system operators and our enterprise customers.

Our Hughes segment incorporates advances in technology to reduce costs and to increase the functionality and reliability of our products and services. Through advanced and proprietary methodologies, technologies, software and techniques, we continue to improve the efficiency of our networks. We invest in technologies to enhance our system and network management capabilities, specifically our managed services for enterprises. We also continue to invest in next generation technologies that can be applied to our future products and services.

Our Hughes segment continues to focus its efforts on optimizing financial returns of our existing satellites while planning for new satellite capacity to be launched, leased or acquired. In addition, we are also providing wireline and wireless capacity to utilize in markets that include residential, community WiFi, backhaul, and other enterprise broadband and multi-transport services. Our consumer revenue growth depends on our success in adding new and retaining existing subscribers, as well as increasing our Average Revenue Per User/subscriber ("ARPU"). Service and acquisition costs related to ongoing support for our direct and indirect customers and partners are typically impacted most significantly by our growth. The growth of our enterprise and consumer businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies.

Our Hughes segment currently uses capacity from our owned and leased satellites, including additional satellite capacity leased from third-party providers to provide services to our customers. We also use other multi-transport capacity that includes cable, fiber, 5G, and 4G/LTE. In most areas of the U.S. we are nearing or have reached capacity, which has resulted in our consumer subscriber base becoming increasingly limited. Our Latin America consumer subscriber base in certain areas has also become capacity constrained. These constraints are expected to be addressed by the launch of the EchoStar XXIV satellite.

We test goodwill for impairment annually in our second fiscal quarter, or more frequently if indicators of impairment exist. All of our goodwill is assigned to our Hughes segment. We conducted our annual impairment test of goodwill during our second fiscal quarter on a qualitative basis and determined that no adjustment to the carrying value of goodwill was then necessary because the fair values exceeded carrying values. During the quarter ended September 30, 2022, we conducted a quantitative interim test of goodwill for all of our reporting units due to continuing decline in our stock price during that period. As a result of our interim test, no goodwill impairment was identified. The fair value of the Hughes reporting unit exceeded the carrying value by more than 10%. We concluded that there were no other indicators of impairment. Given the decline in our stock price during the quarter ended September 30, 2022, we believe it is reasonably possible that a sustained decline in our stock price and market capitalization will result in all or a significant portion of our goodwill becoming impaired. The impairment of goodwill has no effect on liquidity or capital resources. However, it would result in a material non-cash charge and would materially adversely affect our financial results in the period recognized.

To date, we have not experienced a material adverse impact from the Russia-Ukraine conflict and the associated sanctions.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

In May 2019, we entered into an agreement with Bharti Airtel Limited ("BAL") and its subsidiary, Bharti Airtel Services Limited (together with BAL, "Bharti"), pursuant to which Bharti agreed to contribute its very small aperture terminal ("VSAT") telecommunications services and hardware business in India to Hughes Communications India Private Limited ("HCIPL") and its subsidiaries, our less than wholly owned Indian subsidiaries, that conduct our VSAT services and hardware business in India. On January 4, 2022, this joint venture was formed (the "India JV") and subsequent to the formation of the India JV, we hold a 67% ownership interest and Bharti holds a 33% ownership interest in HCIPL. The India JV combines the VSAT businesses of both companies to offer flexible and scalable enterprise networking solutions using satellite connectivity for primary transport, back-up and hybrid implementation in India.

In August 2017, a subsidiary of EchoStar entered into a long-term contract for the design and construction of the EchoStar XXIV satellite, a new, next-generation, high throughput geostationary satellite. The EchoStar XXIV satellite is primarily intended to provide additional capacity for our HughesNet satellite internet service (the "HughesNet service") in North, Central and South America as well as enterprise broadband services. The EchoStar XXIV satellite is expected to be launched in the first half of 2023. Delay in the availability of the EchoStar XXIV satellite could have a material adverse impact on our business operations, future revenues, financial position and prospects, and our planned expansion of satellite broadband services throughout North, South and Central America. In December 2020, we entered into an agreement with a launch provider for the launch of EchoStar XXIV. Capital expenditures associated with the construction and launch of the EchoStar XXIV satellite are included in EchoStar's Corporate and Other segment in its segment reporting.

Our broadband subscribers include customers that subscribe to our HughesNet services in the U.S. and Latin America through retail, wholesale and small/medium enterprise service channels.

The following table presents our approximate number of broadband subscribers:

	As of	
	September 30, 2022	June 30, 2022
United States	973,000	1,019,000
Latin America	312,000	327,000
Total broadband subscribers	1,285,000	1,346,000

The following table presents the approximate number of net subscriber additions:

	For the Three Months Ended	
	September 30, 2022	June 30, 2022
United States	(46,000)	(35,000)
Latin America	(15,000)	(25,000)
Total net subscriber additions	(61,000)	(60,000)

Our ability to gain new customers and retain existing customers in the U.S. is being impacted by our capacity limitations as well as competitive pressure from satellite-based competitors and other technologies. These factors resulted in higher churn and lower total subscribers as compared to the three months ended June 30, 2022.

Our ability to gain new customers and retain existing customers in Latin America is also being impacted by adverse economic conditions. In addition, capacity constraints in certain areas, limit our ability to add new subscribers. For the three months ended September 30, 2022, the reduced decline in net subscribers was primarily due to more selective customer screening and improved churn as compared to the three months ended June 30, 2022.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

We continued to execute our strategy of maximizing financial returns by utilizing capacity for higher economic value enterprise and government applications in Latin America. Continued success of this strategy will further reduce the available capacity for consumer subscribers.

As of September 30, 2022, our Hughes segment had \$1.5 billion of contracted revenue backlog, an increase of 13.1%, as compared to December 31, 2021, primarily due to an increase in contracts from our domestic and international customers. We define Hughes segment contracted revenue backlog as our expected future revenue under enterprise customer contracts that are non-cancelable, including lease revenue.

ESS Segment

Our ESS segment provides satellite services on a full-time and/or occasional-use basis to U.S. government service providers, internet service providers, broadcast news organizations, content providers and private enterprise customers. We operate our ESS business using primarily the EchoStar IX satellite and the EchoStar 105/SES-11 satellite and related infrastructure. Revenue in our ESS segment depends largely on our ability to continuously make use of our available satellite capacity with existing customers and our ability to enter into commercial relationships with new customers.

As of September 30, 2022, our ESS segment had \$15.8 million of contracted revenue backlog, an increase of 52.0%, as compared to December 31, 2021, primarily due to an increase in satellite service contracts with new and existing customers. We define contracted revenue backlog for our ESS segment as contracted future satellite lease revenue.

Other Business Opportunities

Our industry continues to evolve with the increasing worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, technologies such as geostationary high throughput satellites, low-earth orbit ("LEO") networks, medium-earth orbit ("MEO") systems and multi-transport networks using combinations of technologies are expected to continue to play significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and services for information, the internet-of-things, entertainment, education, remote-connectivity and commerce across industries and communities globally for consumer and enterprise customers. We are closely tracking the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies, licenses and expertise to find new commercial opportunities for our business.

We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions, dispositions and other strategic initiatives and transactions, domestically and internationally, that we believe may allow us to increase our existing market share, increase our satellite capacity, expand into new satellite and other technologies, markets and customers, broaden our portfolio of services, products and intellectual property, make our business more valuable, align us for future growth and expansion, maximize the return on our investments and strengthen our business and relationships with our customers. We may allocate or dispose of significant resources for long-term value that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Cybersecurity

We and the third parties with whom we do business face a constantly evolving and increasingly complex landscape of systemic cybersecurity risk in which hackers and other parties use a variety of methods to execute cyberattacks and leverage security breaches and vulnerabilities. Our efforts in mitigating these risks through our cybersecurity program cannot eliminate all cybersecurity risk, including the risk of events that cascade through multiple internal networks or systems, or to one or more suppliers or customers. Disturbances in our systems caused by cyberattacks, including attacks on our third-party contractors and suppliers, could materially harm our ability to conduct our operations and may result in losses that could have a material adverse effect on our financial position. This may also create adverse consequences for our suppliers, third-party service providers, customers, and other third parties that we interact with on a regular basis. In addition, these types of security events could be widely publicized and could materially and adversely affect our reputation with our customers, vendors and shareholders and could harm our competitive position. Such incidents could also result in the release of confidential information about our operations, financial position and performance or about our customers or other third parties which could result in legal claims, fines, or liabilities that may not be covered by our insurance policies and could be material. Additionally, a security compromise or ransomware incident could require us to allocate significant management resources to recovery and mitigation and compel us to expend substantial additional resources to upgrade security measures to continue to protect our confidential information against cyberattacks.

In addition to our efforts to mitigate cybersecurity risk within our business, we are making investments to alleviate potential cybersecurity risk to our products. As a result of these efforts, we could discover new vulnerabilities within our products and systems. We may not discover all such vulnerabilities due to the scale of activities on our platforms, or due to other factors, including factors outside our control.

We are not aware of any cyber-incidents with respect to our owned or leased satellites or other networks, equipment or systems that have had a material adverse effect on our business, costs, operations, prospects, results of operation or financial position during the three and nine months ended September 30, 2022. There can be no assurance, however, that any such incident can be detected or thwarted or will not have such a material adverse effect in the future.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED
RESULTS OF OPERATIONS
Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

The following table presents our consolidated results of operations for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021:

Statements of Operations Data ⁽¹⁾	For the nine months ended September 30,		Variance	
	2022	2021	Amount	%
Revenue:				
Services and other revenue	\$ 1,240,566	\$ 1,300,956	\$ (60,390)	(4.6)
Equipment revenue	263,341	192,715	70,626	36.6
Total revenue	1,503,907	1,493,671	10,236	0.7
Costs and expenses:				
Cost of sales - services and other	425,289	405,138	20,151	5.0
% of total services and other revenue	34.3 %	31.1 %		
Cost of sales - equipment	213,481	161,968	51,513	31.8
% of total equipment revenue	81.1 %	84.0 %		
Selling, general and administrative expenses	323,961	311,841	12,120	3.9
% of total revenue	21.5 %	20.9 %		
Research and development expenses	25,562	22,960	2,602	11.3
% of total revenue	1.7 %	1.5 %		
Depreciation and amortization	327,190	348,689	(21,499)	(6.2)
Impairment of long-lived assets	—	210	(210)	(100.0)
Total costs and expenses	1,315,483	1,250,806	64,677	5.2
Operating income (loss)	188,424	242,865	(54,441)	(22.4)
Other income (expense):				
Interest income, net	15,440	6,108	9,332	*
Interest expense, net of amounts capitalized	(69,261)	(102,948)	33,687	(32.7)
Gains (losses) on investments, net	214	2,102	(1,888)	(89.8)
Equity in earnings (losses) of unconsolidated affiliates, net	(4,441)	(4,197)	(244)	5.8
Foreign currency transaction gains (losses), net	1,690	(9,122)	10,812	*
Other, net	(684)	1,680	(2,364)	*
Total other income (expense), net	(57,042)	(106,377)	49,335	(46.4)
Income (loss) before income taxes	131,382	136,488	(5,106)	(3.7)
Income tax benefit (provision), net	(45,667)	(48,843)	3,176	(6.5)
Net income (loss)	85,715	87,645	(1,930)	(2.2)
Less: Net loss (income) attributable to non-controlling interests	8,736	6,419	2,317	36.1
Net income (loss) attributable to HSSC	\$ 94,451	\$ 94,064	\$ 387	0.4
Other data:				
EBITDA ⁽²⁾	\$ 521,129	\$ 588,436	\$ (67,307)	(11.4)
Subscribers, end of period	1,285,000	1,510,000	(225,000)	(14.9)

* Percentage is not meaningful.

(1) An explanation of our key metrics is included in Explanation of Key Metrics and Other Items.

(2) A reconciliation of EBITDA to Net income (loss), the most directly comparable U.S. generally accepted accounting principles ("U.S. GAAP") measure in our Consolidated Financial Statements, is included in Results of Operations. For further information on our use of EBITDA, see Explanation of Key Metrics and Other Items.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

The following discussion relates to our results of operations for the nine months ended September 30, 2022 and 2021.

Services and other revenue. Services and other revenue totaled \$1.2 billion for the nine months ended September 30, 2022, a decrease of \$60.4 million, or 4.6%, as compared to 2021. The decrease was primarily attributable to our Hughes segment related to lower sales of broadband services to our consumer customers of \$69.6 million due to lower broadband consumer customers, partially offset by higher sales of broadband services to our enterprise customers of \$5.9 million and to our mobile satellite system and other customers of \$3.5 million. These variances reflect an estimated negative impact of exchange rate fluctuations of \$4.5 million, primarily attributable to our enterprise customers.

Equipment revenue. Equipment revenue totaled \$263.3 million for the nine months ended September 30, 2022, an increase of \$70.6 million, or 36.6%, as compared to 2021. The increase was primarily attributable to: i) increases in hardware sales to our enterprise customers of \$68.4 million mainly associated with a certain customer in North America and to international customers and ii) increases in hardware sales to our mobile satellite system customers of \$5.1 million, partially offset by decreases in hardware sales of \$2.8 million to our consumer customers.

Cost of sales - services and other. Cost of sales - services and other totaled \$425.3 million for the nine months ended September 30, 2022, an increase of \$20.2 million, or 5.0%, as compared to 2021. The increase was attributable to a non-recurring decrease in a certain international regulatory fee of \$4.5 million in 2021 and increases in cost of services provided to our consumer and enterprise customers, mainly related to service delivery expenses, such as field services and customer care.

Cost of sales - equipment. Cost of sales - equipment totaled \$213.5 million for the nine months ended September 30, 2022, an increase of \$51.5 million, or 31.8%, as compared to 2021. The increase was primarily attributable to the corresponding increase in equipment revenue and change in product mix.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled \$324.0 million for the nine months ended September 30, 2022, an increase of \$12.1 million, or 3.9%, as compared to 2021. The increase was primarily attributable to increases in: i) bad debt expense of \$8.4 million primarily due to the recovery of bad debt reserves in 2021 and ii) other general and administrative expenses of \$12.5 million, offset by decreases in: i) legal expenses of \$0.6 million and ii) sales and marketing expenses of \$8.4 million.

Depreciation and amortization. Depreciation and amortization expenses totaled \$327.2 million for the nine months ended September 30, 2022, a decrease of \$21.5 million, or 6.2%, as compared to 2021. The decrease was primarily attributable to (i) decreases in our satellite depreciation of \$9.1 million, mainly related to our SPACEWAY 3 satellite which was fully depreciated at the end of the first quarter of 2021, (ii) decreases in amortization of intangibles of \$2.2 million, and (iii) decreases in other property and equipment depreciation expense of \$17.9 million. These decreases were partially offset by increases in amortization of our capitalized software of \$6.5 million.

Interest income, net. Interest income, net totaled \$15.4 million for the nine months ended September 30, 2022, an increase of \$9.3 million, as compared to 2021, primarily attributable to increases in the yield on our marketable investment securities.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized, totaled \$69.3 million for the nine months ended September 30, 2022, a decrease of \$33.7 million, or 32.7%, as compared to 2021. The decrease was primarily attributable to a decrease of \$30.8 million in interest expense and the amortization of deferred financing cost as a result of the repurchases and maturity of our 7 5/8% Senior Unsecured Notes due 2021 and an increase of \$4.9 million in capitalized interest relating to the EchoStar XXIV satellite program.

Gains (losses) on investments, net. Gains (losses) on investments, net totaled \$0.2 million in gains for the nine months ended September 30, 2022, as compared to \$2.1 million in gains for the nine months ended September 30, 2021, a negative change of \$1.9 million. The change was related to net increased losses on marketable investment securities and other equity securities of \$1.9 million.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Foreign currency transaction gains (losses), net. Foreign currency transaction gains (losses), net totaled \$1.7 million in gains for the nine months ended September 30, 2022, as compared to \$9.1 million in losses for the nine months ended September 30, 2021, a positive change of \$10.8 million. The change was due to the net impact of foreign exchange rate fluctuations of certain foreign currencies during the period.

Income tax benefit (provision), net. Income tax benefit (provision), net was \$(45.7) million for the nine months ended September 30, 2022, as compared to \$(48.8) million for the nine months ended September 30, 2021. Our effective income tax rate was 34.8% and 35.8% for the nine months ended September 30, 2022 and 2021, respectively. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2022 were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes. The variations in our effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2021, were primarily due to excluded foreign losses where the Company carries a full valuation allowance and the impact of state and local taxes.

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law. Among other provisions, the IRA includes a 15% corporate minimum tax rate applied to certain large corporations and a 1% excise tax on corporate stock repurchases made after December 31, 2022. We do not expect the IRA to have a material impact on our consolidated financial statements.

Net income (loss) attributable to HSSC. The following table reconciles the change in Net income (loss) attributable to HSSC:

	Amounts
Net income (loss) attributable to HSSC for the nine months ended September 30, 2021	\$ 94,064
Decrease (increase) in interest expense, net of amounts capitalized	33,687
Increase (decrease) in foreign currency transaction gains (losses), net	10,812
Increase (decrease) in interest income, net	9,332
Decrease (increase) in income tax benefit (provision), net	3,176
Decrease (increase) in net income (loss) attributable to non-controlling interests	2,317
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	(244)
Increase (decrease) in gains (losses) on investments, net	(1,888)
Increase (decrease) in other, net	(2,364)
Increase (decrease) in operating income (loss), including depreciation and amortization	(54,441)
Net income (loss) attributable to HSSC for the nine months ended September 30, 2022	<u>\$ 94,451</u>

EBITDA. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Net income (loss), the most directly comparable U.S. GAAP measure in our Consolidated Financial Statements:

	For the nine months ended September 30,		Variance	
	2022	2021	Amount	%
Net income (loss)	\$ 85,715	\$ 87,645	\$ (1,930)	(2.2)
Interest income, net	(15,440)	(6,108)	(9,332)	*
Interest expense, net of amounts capitalized	69,261	102,948	(33,687)	(32.7)
Income tax provision (benefit), net	45,667	48,843	(3,176)	(6.5)
Depreciation and amortization	327,190	348,689	(21,499)	(6.2)
Net loss (income) attributable to non-controlling interests	8,736	6,419	2,317	36.1
EBITDA	<u>\$ 521,129</u>	<u>\$ 588,436</u>	<u>\$ (67,307)</u>	<u>(11.4)</u>

* Percentage is not meaningful.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

The following table reconciles the change in EBITDA:

	Amounts
EBITDA for the nine months ended September 30, 2021	\$ 588,436
Increase (decrease) in foreign currency transaction gains (losses), net	10,812
Decrease (increase) in net loss (income) attributable to non-controlling interests	2,317
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	(244)
Increase (decrease) in gains (losses) on investments, net	(1,888)
Increase (decrease) in other, net	(2,364)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(75,940)
EBITDA for the nine months ended September 30, 2022	\$ 521,129

Segment Operating Results and Capital Expenditures

The following tables present our total revenue, capital expenditures and EBITDA by segment for the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021:

	Hughes	ESS	Corporate and Other	Consolidated Total
For the nine months ended September 30, 2022				
Total revenue	\$ 1,475,512	\$ 14,305	\$ 14,090	\$ 1,503,907
Capital expenditures	176,665	—	—	176,665
EBITDA	546,109	9,658	(34,638)	521,129
For the nine months ended September 30, 2021				
Total revenue	\$ 1,465,073	\$ 12,808	\$ 15,790	\$ 1,493,671
Capital expenditures	228,641	—	—	228,641
EBITDA	605,742	6,481	(23,787)	588,436

Hughes Segment

	For the nine months ended September 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 1,475,512	\$ 1,465,073	\$ 10,439	0.7
Capital expenditures	176,665	228,641	(51,976)	(22.7)
EBITDA	546,109	605,742	(59,633)	(9.8)

Total revenue was \$1.5 billion for the nine months ended September 30, 2022, an increase of \$10.4 million, or 0.7%, as compared to 2021. Services and other revenue decreased primarily due to lower sales of broadband services to our consumer customers of \$69.6 million due to lower broadband consumer customers, partially offset by higher sales of broadband services to our enterprise customers of \$5.9 million and to our mobile satellite system and other customers of \$3.5 million. Equipment revenue increased primarily due to increases in hardware sales to our enterprise customers of \$68.4 million mainly associated with a certain customer in North America and to international customers, and increases in hardware sales to our mobile satellite system customers of \$5.1 million, partially offset by decreases in hardware sales of \$2.8 million to our consumer customers. These variances reflect an estimated negative impact of exchange rate fluctuations of \$5.1 million.

Capital expenditures were \$176.7 million for the nine months ended September 30, 2022, a decrease of \$52.0 million, or 22.7%, as compared to 2021, primarily due to decreases in expenditures associated with our consumer business and decreases in expenditures related to the construction of our satellite-related ground infrastructure.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

The following table reconciles the change in the Hughes Segment EBITDA:

	Amounts
EBITDA for the nine months ended September 30, 2021	\$ 605,742
Increase (decrease) in foreign currency transaction gains (losses), net	10,686
Decrease (increase) in net loss (income) attributable to non-controlling interests	2,317
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	11
Increase (decrease) in gains (losses) on investments, net	(1,883)
Increase (decrease) in other, net	(4,274)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(66,490)
EBITDA for the nine months ended September 30, 2022	<u>\$ 546,109</u>

ESS Segment

	For the nine months ended September 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 14,305	\$ 12,808	\$ 1,497	11.7
EBITDA	9,658	6,481	3,177	49.0

Total revenue was \$14.3 million for the nine months ended September 30, 2022, an increase of \$1.5 million, or 11.7%, compared to 2021, primarily due to an increase in transponder services provided to third parties.

EBITDA was \$9.7 million for the nine months ended September 30, 2022, an increase of \$3.2 million, or 49.0%, as compared to 2021, primarily due to the increase in overall ESS segment revenue and lower expenses.

Corporate and Other Segment

	For the nine months ended September 30,		Variance	
	2022	2021	Amount	%
Total revenue	\$ 14,090	\$ 15,790	\$ (1,700)	(10.8)
EBITDA	(34,638)	(23,787)	(10,851)	45.6

The following table reconciles the change in the Corporate and Other Segment EBITDA:

	Amounts
EBITDA for the nine months ended September 30, 2021	\$ (23,787)
Increase (decrease) in other, net	1,937
Increase (decrease) in foreign currency transaction gains (losses), net	98
Increase (decrease) in gains (losses) on investments, net	(5)
Decrease (increase) in equity in earnings (losses) of unconsolidated affiliates, net	(255)
Increase (decrease) in operating income (loss), excluding depreciation and amortization	(12,626)
EBITDA for the nine months ended September 30, 2022	<u>\$ (34,638)</u>

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Services and other revenue. Services and other revenue primarily includes the sales of consumer and enterprise broadband services, maintenance and other contracted services, revenue associated with satellite and transponder leases and services, satellite uplinking/downlinking, subscriber wholesale service fees for the HughesNet service professional services and facilities rental revenue.

Equipment revenue. Equipment revenue primarily includes broadband equipment and networks sold to customers in our consumer and enterprise markets.

Cost of sales - services and other. Cost of sales - services and other primarily includes the cost of broadband services provided to our consumer and enterprise customers, maintenance and other contracted services, costs associated with satellite and transponder leases and services, professional services and facilities rental.

Cost of sales - equipment. Cost of sales - equipment consists primarily of the cost of broadband equipment and networks provided to customers in our consumer and enterprise markets. It also includes certain other costs associated with the deployment of equipment to our customers.

Selling, general and administrative expenses. Selling, general and administrative expenses primarily include selling and marketing costs and employee-related costs associated with administrative services (e.g., information systems, human resources and other services), including stock-based compensation expense. It also includes professional fees (e.g. legal, information systems and accounting services) and other expenses associated with facilities and administrative services.

Research and development expenses. Research and development expenses primarily include costs associated with the design and development of products to support future growth and provide new technology and innovation to our customers.

Impairment of long-lived assets. Impairment of long-lived assets includes our impairment losses related to our property and equipment, goodwill, regulatory authorizations and other intangible assets.

Interest income, net. Interest income, net primarily includes interest earned on our cash, cash equivalents and marketable investment securities, and other investments including premium amortization and discount accretion on debt securities.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized primarily includes interest expense associated with our debt and finance lease obligations (net of capitalized interest), amortization of debt issuance costs and interest expense related to certain legal proceedings.

Gains (losses) on investments, net. Gains (losses) on investments, net primarily includes changes in fair value of our marketable equity securities and other investments for which we have elected the fair value option. It may also include realized gains and losses on the sale or exchange of our available-for-sale debt securities, other-than-temporary impairment losses on our available-for-sale securities, realized gains and losses on the sale or exchange of equity securities and debt securities without readily determinable fair value and adjustments to the carrying amount of investments in unconsolidated affiliates and marketable equity securities resulting from impairments and observable price changes.

Equity in earnings (losses) of unconsolidated affiliates, net. Equity in earnings (losses) of unconsolidated affiliates, net includes earnings or losses from our investments accounted for using the equity method.

Foreign currency transaction gains (losses), net. Foreign currency transaction gains (losses), net include gains and losses resulting from the re-measurement of transactions denominated in foreign currencies.

Other, net. Other, net primarily includes dividends received from our marketable investment securities and other non-operating income and expense items that are not appropriately classified elsewhere in the Consolidated Statements of Operations in our Consolidated Financial Statements.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

Earnings before interest, taxes, depreciation and amortization, and Net income (loss) attributable to non-controlling interests ("EBITDA"). EBITDA is defined as Net income (loss) excluding Interest income and expense, net, Income tax benefit (provision), net, Depreciation and amortization, and Net income (loss) attributable to non-controlling interests. EBITDA is not a measure determined in accordance with U.S. GAAP. This non-GAAP measure is reconciled to Net income (loss) in our discussion of Results of Operations above. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with U.S. GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding the underlying operating performance of our business and is appropriate to enhance an overall understanding of our financial performance. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to evaluate the performance of companies in our industry.

Subscribers. Subscribers include customers that subscribe to our HughesNet service, through retail, wholesale and small/medium enterprise service channels.

Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - CONTINUED

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Form 10-Q such that the information required to be disclosed in our Securities and Exchange Commission reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the three months ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, refer to Part I, Item 1. Financial Statements - *Note 14. Contingencies* - Litigation in this Form 10-Q.

ITEM 1A. RISK FACTORS

Item 1A, Risk Factors, of our Form 10-K for the year ended December 31, 2021 includes a detailed discussion of our risk factors.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Financial Results

On November 2, 2022, EchoStar issued a press release (the "Press Release") announcing its financial results for the quarter ended September 30, 2022. A copy of the Press Release is furnished herewith as Exhibit 99.1. The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise, and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Securities Exchange Act of 1934, as amended, except as otherwise expressly stated in any such filing.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1 (H)	Form of Stock Option Agreement for the EchoStar Corporation 2017 Stock Incentive Plan — Employee (2022)**
10.2 (H)	Form of Stock Option Agreement for the EchoStar Corporation 2017 Stock Incentive Plan — Executive (2022)**
10.3 (H)	Form of Restricted Stock Unit Agreement for the EchoStar Corporation 2017 Stock Incentive Plan — Executive (2022)**
10.4(H)	Amendment No. 1 to EchoStar Corporation 2017 Amended and Restated Employee Stock Purchase Plan dated October 20, 2022**
31.1 (H)	Section 302 Certification of Chief Executive Officer and Principal Financial Officer.
32.1 (I)	Section 906 Certification of Chief Executive Officer and Principal Financial Officer.
99.1 (I)	Press release dated November 2, 2022 issued by EchoStar Corporation regarding financial results for the period ended September 30, 2022.
101.INS	XBRL Instance Document. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

(H) Filed herewith.

(I) Furnished herewith.

* Incorporated by reference.

** Constitutes a management contract or compensatory plan or arrangement.

**ECHOSTAR CORPORATION
EMPLOYEE STOCK OPTION AGREEMENT**

This Stock Option Agreement (the “Agreement”) is entered into effective as of the Grant Date set forth on Exhibit A to this Agreement (the “Grant Date”), by and between EchoStar Corporation, a Nevada corporation (the “Company”), and [Participant Name] (“Grantee”).

RECITAL

WHEREAS, the Company, pursuant to its 2017 Stock Incentive Plan (as amended from time to time, the “Plan”) desires to grant this stock option to Grantee, and Grantee desires to accept such stock option, each under the terms and conditions set forth in this Agreement; and

WHEREAS, the Option (as defined below) is intended to be consideration in exchange for the covenants herein contained and not in exchange for any right with respect to continuance of employment with or service to the Company or any of its direct or indirect subsidiaries.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Option

The Company hereby grants to Grantee, as of the Grant Date, the right and option (hereinafter called the “Option”) to purchase all or any part of the number of shares of the Class A common stock of the Company, par value \$0.001 per share (the “Common Shares”) set forth on Exhibit A to this Agreement, at the price per share set forth on Exhibit A to this Agreement, which price is equal to or greater than the fair market value of a Common Share on the Grant Date (or the last trading day prior to the Grant Date, if the Grant Date was not a trading day) (the “Option Price”), and on the terms and conditions set forth in this Agreement. The Option Price is subject to adjustment as provided in this Agreement and the Plan. The Option is intended to be an incentive stock option (an “ISO”) within the meaning of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the “Code”) to the full extent permitted under the provisions of the Code; provided that any portion of the Option that is not eligible to be an ISO under the Code shall be a non-statutory stock option that does not qualify as an “incentive stock option” within the meaning of the Code. Grantee understands, acknowledges, agrees and hereby stipulates that to the extent that the aggregate fair market value (as determined by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time as of the Grant Date) of the Common Shares with respect to which all ISOs are exercisable for the first time by Grantee during any calendar year exceeds one-hundred thousand dollars (\$100,000), in accordance with Section 422(d) of the Code, such ISOs, including without limitation, all or a portion of the Option, shall be treated as options that do not qualify as ISOs.

Notwithstanding anything in the Plan to the contrary, this Agreement and the Option granted hereunder shall be null and void and of no further force and effect unless and until the Grantee shall have accepted and acknowledged this Agreement within thirty (30) days after the Grant Date by following the current procedures implemented by the Company’s administrator for the Plan (the “Administrator”), as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason from time to time.

2. Duration and Exercisability

(a) Subject to the terms and conditions set forth in this Agreement and the Plan, and Grantee being an employee of the Company or its direct or indirect subsidiaries, if any, on each applicable vesting date, the Option shall vest on, and may be exercised by Grantee on the vesting dates, and in accordance with the vesting schedule, set forth on Exhibit A to this Agreement.

Notwithstanding the foregoing or anything set forth on Exhibit A to this Agreement, vesting of the Option shall immediately cease upon the occurrence of any of the events provided for in Sections 3(a)-(d), as applicable.

(b) Except as permitted pursuant to the Plan, (i) during the lifetime of Grantee, the Option shall be exercisable only by Grantee or, if permissible under applicable law, by Grantee's guardian or legal representative, (ii) the Option shall not be assignable or transferable by Grantee, other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code, Title I of the Employee Retirement Income Security Act, or the rules promulgated thereunder, and (iii) the Option may not be sold, assigned, transferred or otherwise disposed of, or pledged, alienated, attached, hypothecated, or otherwise encumbered in any manner (whether by operation of law or otherwise), and will not be subject to execution, attachment or other process. Any purported sale, assignment, transfer, pledge, alienation, attachment or encumbrance in violation of the terms of this Agreement or the Plan shall be void and unenforceable against the Company or any of its subsidiaries. Any sale, assignment, transfer, pledge, hypothecation, or other disposition of the Option or any attempt to make any such levy of execution, attachment or other encumbrance will cause the Option to terminate immediately, unless the Board of Directors of the Company or the Committee (as defined in the Plan), in their sole and absolute discretion for any reason or no reason at any time and from time to time, specifically waives applicability of this provision.

(c) Notwithstanding any other provisions in this Agreement or the Plan, the Option shall expire and terminate, and shall cease to be exercisable, on the expiration date set forth on Exhibit A to this Agreement (the "Expiration Date").

(d) The Company assumes no responsibility for individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option or any subsequent disposition of Common Shares. Additionally, the Company assumes no responsibility in the event that the Option or any portion thereof is ultimately determined to not be an ISO or the tax treatment therefore is ultimately determined to be other than the tax treatment afforded for ISOs, whether such other treatment is the result of changes in the tax laws, a disqualifying disposition by Grantee, or for any other reason. **Grantee should consult with Grantee's personal tax advisor regarding the tax ramifications, if any, which result from the grant, vesting, adjustment, forfeiture, termination, recoupment or exercise of the Option, and any subsequent disposition of Common Shares.** If, in the Company's sole and absolute discretion for any reason or no reason at any time and from time to time, it is necessary or appropriate to collect or withhold federal, state or local taxes in connection with the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of any portion of the Option and/or any subsequent disposition of Common Shares, the Company shall be entitled to require the payment of such amounts as a condition to exercise. Prior to any relevant taxable or tax withholding event, as applicable, Grantee shall pay or make arrangements satisfactory to the Company to satisfy all withholding obligations. In furtherance and without limiting the generality of the foregoing, Grantee (on its own behalf and on behalf of each and every other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) hereby authorizes the Company, in its sole and absolute discretion for any reason or no reason at any time and from time to time (including without limitation, pursuant to the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time), to satisfy all withholding and all other obligations with regard to any individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option and/or any subsequent disposition of Common Shares by one or a combination of the following:

- i. withholding from any wages or other cash or equity compensation payable to Grantee by the Company;
- ii. withholding Common Shares that are otherwise issuable upon exercise of the Option;
- iii. arranging for the sale of Common Shares that are otherwise issuable upon exercise of the Option, including, without limitation, selling Common Shares as part of a block trade with other grantees under the Plan or otherwise; and/or
- iv. withholding from the proceeds of the sale of Common Shares issued upon exercise of the Option or other Common Shares issuable to the Grantee.

(e) In accepting the terms and conditions of this Agreement and the Option and in considering the exercise of the Option, Grantee understands, acknowledges, agrees and hereby stipulates that he or she has used and shall use the same independent investment judgment that Grantee would use in making other investments in corporate securities. Among other things, stock prices will fluctuate over any reasonable period of time and the price of the Common Shares may go down as well as up. No guarantees are made as to the future prospects of the Company or the Common Shares, or that any market for sale of the Common Shares will exist in the future. No representations are made by the Company except as may be contained in any active registration statement on file with the United States Securities and Exchange Commission (“SEC”) relating to the Plan at the time of the applicable exercise of the Option.

3. Effect of Termination of Employment; Violation of Covenants; Covenants Found Unenforceable; Death or Disability; Demotion

(f) In the event that Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, for any reason other than as a result of or in connection with Grantee’s serious misconduct or violation of the covenants set forth in Section 5 of this Agreement or other circumstances as described in Section 3(b) of this Agreement or Grantee’s death or disability (as described in Section 3(c) of this Agreement), Grantee shall have the right to exercise the Option at any time within one month after such cessation of employment (the “One Month Period”), **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such cessation of employment, subject to the conditions that (i) any vested or exercisable portion of the Option not exercised within the One Month Period shall be automatically exercised pursuant to the Expiration Exercise Procedures set forth in Section 4(c) below, (ii) any portion of the Option not vested or otherwise not exercisable as of the date of such cessation of employment shall be deemed to have terminated and cannot be exercised as or after such date, and (iii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(a) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(g) In the event that (i) Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, by reason of Grantee’s serious misconduct during the course of employment, including without limitation wrongful appropriation of the Company’s or its subsidiaries’ funds, theft of the Company’s or its subsidiaries’ property or other reasons as determined by the Company, (ii) Grantee violates any one or more of the covenants set forth in Section 5 of this Agreement as determined by the Company, or (iii) any one or more of the covenants set forth in Section 5 of this Agreement is found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee, then the **entire** Option (both vested and unvested) shall be deemed to have terminated and cannot be exercised and no Common Shares shall be issuable in connection therewith as of the date of the earliest to occur of: (A) the serious misconduct or cessation of employment, in all cases as the Company may select and as determined by the Company; (B) any violation of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (C) any finding of unenforceability against the Grantee of any one or more of the covenants set forth in Section 5 of this Agreement to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened or attempted violation of any such covenants by Grantee. The termination of the Option by reason of this Section 3(b) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option. For clarification purposes, with respect to interpreting any and all violation(s) (or other logical formulation thereof such as “violates”) of the covenants set forth in this Agreement (including without limitation, the covenants in Section 5 of this Agreement), such violation(s) shall include, but is not limited to, any actual, threatened or attempted violation of any such covenants by the Grantee that may result in, among other things, the Company or any of its direct or indirect subsidiaries having to seek a temporary restraining order, preliminary injunction, or other similar relief against the Grantee to attempt to prevent any such actual, threatened or attempted violation.

(h) In the event that Grantee shall die while in the employ of the Company or its direct or indirect subsidiaries, if any, or within the One Month Period, or if Grantee’s employment with the Company and/or its direct or indirect subsidiaries, if any, is terminated because Grantee has become disabled (within the meaning of Section 22(e)(3) of the Code and regulations thereunder) while in the

employ of the Company or its direct or indirect subsidiaries, if any, and Grantee shall not have exercised the Option to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option as of the date of such death or termination on account of disability, as applicable, then such Option may be exercised at any time within twelve months after the date of such death or termination on account of disability (the "Death or Disability Post-Termination Exercise Period"), as applicable, by Grantee or the personal representatives or administrators, executor or guardians of Grantee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such death or termination on account of disability, as applicable, subject to the conditions that (i) any vested or exercisable portion of the Option not exercised within the Death or Disability Post-Termination Exercise Period shall be automatically exercised pursuant to the Expiration Exercise Procedures set forth in Section 4(c) below, (ii) any portion of the Option not vested or otherwise not exercisable as of the date of such death or termination on account of disability, as applicable, shall be deemed to have terminated and cannot be exercised as or after such date, and (iii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(c) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(i) In the event that Grantee is demoted (but remains employed) by the Company or its direct and indirect subsidiaries, if any, from Grantee's current level (e.g., chairman, chief executive officer, president, executive vice president, senior vice president, vice president, director, manager, or other level held by Grantee on the date of this Agreement), the Option shall continue in force, unless otherwise terminated, **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such demotion (the "Remaining Vested Options Following Demotion"), subject to the conditions that (i) any portion of the Option not vested or otherwise not exercisable as of the date of such demotion shall be deemed to have terminated and cannot be exercised as of the date of demotion, and (ii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(d) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(j) Notwithstanding any other provision in this Agreement or the Plan or any termination or expiration of the Option, the covenants set forth in Section 5 of this Agreement shall continue in force in accordance with their terms unless otherwise terminated by the Company.

4. Manner of Exercise

(k) The Option can be exercised only by Grantee or other proper party as described in Section 2(b), Section 3(c) and/or Section 4(c) of this Agreement, in whole Common Shares, upon meeting the applicable vesting requirements for the Option represented by this Agreement and by following, prior to the earlier of any forfeiture or termination or the Expiration Date, the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time. The instruction to exercise the Option must be made by a person entitled to exercise the Option and shall (i) include, among other things, the number of Common Shares as to which the Option is being exercised, (ii) contain a representation and agreement as to Grantee's investment intent with respect to the Common Shares in a form satisfactory to the Company (unless a Prospectus meeting applicable requirements of the Securities Act of 1933, as amended ("Securities Act"), is in effect for the Common Shares being purchased pursuant to exercise of the Option), and (iii) be accompanied by payment in full of the Option Price for all Common Shares designated in the instruction. The instruction to exercise shall be sent as set forth in Section 7(n) of this Agreement or in such other manner pursuant to the then-applicable procedures implemented by the Administrator.

(l) Except as otherwise provided for by the then-current procedures implemented by the Administrator or as otherwise specified in Section 4(c) of this Agreement, Grantee shall pay the Option Price for the Common Shares purchased in cash or by certified or bank cashier's check.

(m) If, upon the close of trading on the NASDAQ Stock Market (or, in the event that the Common Shares are no longer listed and traded on the NASDAQ Stock Market, such other stock

exchange on which the Common Shares are then listed and traded) (the “Market Close”) (i) in the event of a termination of the Grantee’s employment as contemplated by Section 3(a) of this Agreement, on the earlier of (x) the last day of the One Month Period, and (y) the Expiration Date, (ii) in the event of a termination of the Grantee’s employment as contemplated by Section 3(c) of this Agreement, on the earlier of (x) the last day of the Death or Disability Post-Termination Exercise Period, and (y) the Expiration Date, and (iii) in any other circumstance where all or any portion of the Option is then outstanding and exercisable on the Expiration Date, on the Expiration Date (the dates in clauses (i), (ii), and (iii), as applicable (or the last trading day prior to any such date (if such date is not a trading day)), the “Expiration Exercise Date”), all or any portion of the Option is vested and exercisable, then the vested and exercisable portion of the Option shall be automatically exercised upon the Market Close on the Expiration Exercise Date without any further action by Grantee (or any other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) pursuant to the applicable then-current procedures implemented by the Administrator (the “Expiration Exercise Procedures”), as such Administrator and Expiration Exercise Procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time.

Pursuant to the Expiration Exercise Procedures: (i) the following costs and expenses will be satisfied by withholding otherwise deliverable Common Shares to be issued upon the automatic exercise of the Option: (A) the Option Price for the full number of vested Common Shares that are automatically exercised under the Option pursuant to this Section 4(c); (B) the Administrator’s fees and commissions, if any; (C) other brokerage fees and commissions, if any; and (D) all withholding and all other obligations with regard to any individual income taxes (which Grantee understands, acknowledges, agrees and hereby stipulates may be withheld at the highest then-current tax rate), penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option and/or any subsequent disposition of Common Shares in connection with the Expiration Exercise Procedures or otherwise; and (ii) the number of whole Common Shares, if any, remaining after completion of all withholding as described in subsection (i) of these Expiration Exercise Procedures shall be issued to Grantee. Without limitation of the generality of Section 2(d) of this Agreement, in the event that the amounts withheld pursuant to the Expiration Exercise Procedures are insufficient to satisfy Grantee’s actual individual income tax, penalty and/or interest obligations, Grantee understands, acknowledges, agrees and hereby stipulates that Grantee, and not the Company, shall be solely responsible and liable for payment of any deficiencies. Only an Option that is “in-the-money” at Market Close on the Expiration Exercise Date shall be automatically exercised pursuant to this Section 4(c). An Option shall be considered “in-the-money” for purposes of this Section 4(c) if the fair market value of a Common Share upon the Market Close on the Expiration Exercise Date is at least one percent (1%) greater than the Option Price. Furthermore, and without limitation of the generality of the preceding sentence, any exercise of the Option that would result in the issuance of less than one whole Common Share to Grantee pursuant to the Expiration Exercise Procedures shall not be automatically exercised pursuant to this Section 4(c). Grantee (on its own behalf and on behalf of each and every other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) hereby expressly authorizes and agrees to the automatic exercise of the Option as provided in this Section 4(c) (and shall be deemed to have given all instructions and representations required under Section 4(a) of this Agreement in connection with the automatic exercise of the Option as provided in this Section 4(c)), and neither the approval of the Administrator, nor the consent of Grantee (or any other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) shall be required at the time of the automatic exercise of the Option pursuant to this Section 4(c). For the avoidance of doubt, Grantee may exercise any vested and exercisable portion of the Option prior to Market Close on the Expiration Exercise Date. **Grantee understands, acknowledges, agrees and hereby stipulates that the automatic exercise procedure pursuant to this Section 4(c) is provided solely as a convenience to Grantee as protection against Grantee’s inadvertent failure to exercise all or any portion of an “in-the-money” Option that is vested and exercisable before such Option expires under this Agreement. Because any exercise of all or any portion of the Option is solely Grantee’s responsibility, Grantee hereby waives and releases and agrees to indemnify and hold the Company harmless from and against any and all claims of any kind whatsoever against the Company and/or any other party (including without limitation, the Administrator and the Company’s Grantees and agents) arising out of or relating to the automatic exercise procedure pursuant to this Section 4(c) (or any failure thereof), including without limitation any resulting individual income tax, penalty and/or interest liability and/or any other liability if the automatic exercise of the Option does occur, or does not occur for any reason or no reason whatsoever and/or the Option actually expires.**

(n) Unless notified by the Company or the Administrator to the contrary, the Common Shares issuable on exercise of the Option shall be deemed issued on the date specified by the Company

within five (5) business days following the date that the Company determines that all requirements for issuance of the Common Shares have been properly completed, including, without limitation, payment of all applicable withholding taxes. The Company shall have no obligation to issue the Common Shares upon the exercise of any portion of the Option until it has confirmed to its satisfaction that all requirements for the issuance have been accomplished. Any notice of exercise shall be void and of no effect if all requisite events have not been accomplished.

(o) Unless the Company waives applicability of this provision, the certificate or certificates for the Common Shares, if any, as to which the Option shall be exercised or the book entries, as applicable, may be registered only in the name of Grantee (or if Grantee so requests in the notice of exercise of the Option, jointly in the name of Grantee and with a member of Grantee's family, with the right of survivorship, or in the event of the death of Grantee, in the name of such survivor of Grantee as the person with the right to exercise the Option shall designate).

5. [Intentionally omitted]; Protection of Confidential Information and Trade Secrets

(p) Grantee shall serve the Company and its direct and indirect subsidiaries (collectively, the "Company" for purposes of this Section 5), loyally and in good faith and use Grantee's best efforts to promote the Company's interests. Grantee hereby [intentionally omitted], and agrees to protect from disclosure (for clarification purposes, such agreement to protect from disclosure shall include, without limitation, an agreement not to use) Confidential Information and Trade Secrets (as defined in Section 5(e) of this Agreement) [intentionally omitted].

(q) [Intentionally omitted].

(r) [Intentionally omitted].

(s) [Intentionally omitted].

(t) Non-Disclosure and Non-Use of Confidential Information and Trade Secrets. Grantee further agrees to hold in a fiduciary capacity for the benefit of the Company any and all proprietary and confidential information, knowledge, ideas and data, including, without limitation, customer lists and the Company's trade secrets, products, processes and programs ("Confidential Information and Trade Secrets"), relating in any way to the present or future business or activities of the Company for as long as such Confidential Information and Trade Secrets remain confidential (for clarification purposes, this restriction shall include, but not be limited to, the obligation of and agreement by Grantee not to (i) disclose to, or use to or for the benefit of, any person or entity other than the Company any Confidential Information and Trade Secrets, and/or (ii) take a position where Grantee may use and/or disclose any Confidential Information and Trade Secrets). Such Confidential Information and Trade Secrets include but are not limited to: (i) the Company's financial and business information, such as capital structure, operating results, strategies and plans for future business, pending projects and proposals and potential acquisitions or divestitures; (ii) product and technical information, such as product formulations, new and innovative product ideas, proprietary credit scoring models and approaches, credit policies, new business developments, plans, designs, compilation methods, processes, procedures, program devices, data processing programs, software, software codes, hardware, firmware and research and development products; (iii) marketing information, such as new marketing ideas, mailing lists, the identity and number of the Company's customers and prospects, their names and addresses and sales and marketing plans; (iv) information about the Company's third-party agreements and any confidential or protected information disclosed to the Company by a third-party; (v) the Company's suppliers, partners, customers and prospect lists; and (vi) personnel information, such as the identity and number of the Company's other employees, their salaries, bonuses, benefits, skills, qualifications and abilities. For the avoidance of doubt and notwithstanding the foregoing, the term "trade secrets" shall mean items of Confidential Information and Trade Secrets that meet the requirements of the Uniform Trade Secrets Act, as adopted in the state of Maryland and as amended from time to time or under the Defend Trade Secrets Act, 18 U.S.C. §1833, et seq. Under the federal Defend Trade Secrets Act of 2016, Grantee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (x) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (y) is made to Grantee's attorney in relation to a lawsuit for retaliation against Grantee for reporting a suspected violation of law; or (z) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement prohibits

or restricts Grantee (or Grantee's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization, or any other federal or state regulatory authority regarding a possible securities law violation. All Confidential Information and Trade Secrets, together with all copies thereof and notes and other references thereto, shall remain the sole property of the Company. To the extent that Grantee possesses any Confidential Information and Trade Secrets or equipment belonging to the Company, Grantee agrees to deliver to the Company, immediately upon termination of employment and at any time and from time to time as the Company requests: (i) any and all documents, files, notes, memoranda, databases, computer files, and/or other computer programs reflecting any Confidential Information and Trade Secrets; and (ii) any and all computer equipment, home office equipment, automobile, or other business equipment belonging to the Company that Grantee may then possess or have under his or her control. For any equipment or devices owned by Grantee on which proprietary information of the Company is stored or accessible, Grantee shall, immediately upon or prior to termination of employment, deliver such equipment or devices to the Company so that any proprietary information may be deleted or removed. Grantee expressly authorizes the Company's designated representatives to access such equipment or devices for this limited purpose and shall provide any passwords and/or passcodes necessary to accomplish this task. Grantee acknowledges that all Confidential Information and Trade Secrets is essential to the Company's present and future business and activities, and is therefore deemed trade secrets and is considered proprietary to, and treated as confidential by, the Company. This obligation of confidentiality is intended to supplement, and is not intended to supersede or limit, the obligations of confidentiality Grantee has to the Company by agreement, law or otherwise.

(u) **Remedies.** Grantee understands, acknowledges, agrees and hereby stipulates that any and all actual, threatened or attempted violations of any and all covenants in this Agreement (including, without limitation, covenants in this Section 5), challenges of or to the enforceability of any such covenants and/or findings of unenforceability of any such covenants against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from a threatened or attempted violation of any such covenants by Grantee, may cause the Company irreparable harm, which may not be compensated for by monetary damages alone.

(v) **Tolling.** Grantee further agrees that, while the duration of the covenants contained in this Section 5 will be determined generally in accordance with the terms of each respective covenant, if Grantee violates or threatens to violate any of those covenants, or it is necessary for the Company to seek to enforce any of those covenants, Grantee agrees to an extension of the duration of such covenant on the same terms and conditions for an additional period of time equal to the time that elapses from the commencement of such violation or threat of violation to the later: of (i) the termination of such violation or threat of violation; or (ii) the final non-appealable resolution of any litigation or other legal proceeding stemming from such violation or threatened or attempted violation.

(w) **No Waiver.** In addition to (and without limitation of) the other terms and conditions of this Agreement, the failure of the Company to insist upon strict performance of any provision of any agreement between the Company, on the one hand, and another grantee, employee, person or entity, on the other hand, shall not be construed as a waiver of the Company's right to insist upon strict performance of each and every representation, warranty, covenant, duty and obligation of Grantee hereunder. In addition to (and without limitation of) the foregoing, the election of certain remedies by the Company with respect to the breach or default by another grantee, employee, person or entity of any agreement between the Company, on the one hand, and such other grantee, employee, person or entity, on the other hand, shall not be deemed to prejudice any rights or remedies that the Company may have at law, in equity, under contract (including without limitation this Agreement) or otherwise with respect to a similar or different breach or default hereunder by Grantee (all of which are hereby expressly reserved).

(x) **Recoupment.** Notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Option (whether vested or unvested) shall be subject to deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or "clawback" as may be required to be made pursuant to the provisions of any applicable law, government regulation or stock exchange listing requirement as well as any policies of the Company that may be in effect from time to time pursuant to any law, government regulation or stock exchange listing requirement. In addition, notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Option (whether vested or unvested) shall be subject to

deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or “clawback” if: (i) Grantee ceases or has ceased to be employed by the Company or its direct or indirect subsidiaries, if any, by reason of Grantee’s serious misconduct during the course of employment, including without limitation, wrongful appropriation of the Company’s funds or theft of Company property; (ii) Grantee violates or has violated any of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (iii) any of the covenants set forth in Section 5 of this Agreement are or were found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee.

6. Dispute Resolution

(y) Grantee and the Company mutually agree that any claim, controversy and/or dispute between them, arising out of, relating to, or in connection with: (i) Grantee’s application for employment, employment and/or termination of employment, including without limitation claims for wages and other compensation, breach of contract, misappropriation of trade secrets or unfair competition, violation of public policy, wrongful termination, tort claims, claims for unlawful retaliation, discrimination and/or harassment; and claims for violation of any federal, state, or other government law, statute, regulation, or ordinance, such as, for example, claims under the Age Discrimination in Employment Act (as amended), the Americans with Disabilities Act (as amended); Title VII of the Civil Rights Act of 1964 (as amended); the Equal Pay Act (as amended); the Fair Credit Reporting Act (as amended); the Fair Labor Standards Act (as amended); the Family and Medical Leave Act (as amended); the Pregnancy Discrimination Act (as amended); the Rehabilitation Act (as amended); Section 1981 through 1988 of Title 42 of the United States Code (as amended); and the Worker Adjustment and Retraining Notification Act (as amended); and/or (ii) this Agreement (including, without limitation, an actual, threatened or attempted violation of any of the covenants set forth in Section 5 of this Agreement) (“Options Disputes”) ((i) or (ii) each, a “Claim” and (i) and (ii) collectively, “Claims”), whenever and wherever brought shall be exclusively governed by and construed in accordance with the laws of the State of Maryland applicable to contracts to be made and performed entirely within the State of Maryland by residents of the State of Maryland, without giving any effect to its conflict of law provisions, and Grantee and the Company consent to and submit to the in personam jurisdiction of the appropriate State Court located in Montgomery County, State of Maryland and the United States District Court for the District of Maryland for the purposes set forth in this section, and WAIVE, FULLY AND COMPLETELY, ANY OBJECTION TO VENUE AND RIGHT TO DISMISS AND/OR TRANSFER ANY ACTION PURSUANT TO TITLE 28 U.S.C. SECTION 1404 OR 1406 (OR ANY SUCCESSOR STATUTE).

(z) The parties agree that each party to any court proceeding contemplated by this Section 6 shall be responsible for its own attorneys’ fees and costs; provided, however, that unless otherwise required by applicable law or this Agreement, the prevailing party in any court proceeding contemplated by this Section 6 shall be entitled to reimbursement of its, his or her reasonable attorneys’ fees, costs, and expenses.

(aa) To the maximum extent allowed by applicable law, (i) Grantee and the Company agree to bring any Claim on an individual basis only, and not as a class, multi-plaintiff, representative, or collective action, (ii) Grantee and the Company waive any right for a Claim to be brought, heard, or decided as a class, multi-plaintiff, representative, or collective action (“Class Action Waiver”). This Class Action Waiver, however, does not prevent Grantee from joining, opting into or participating in a pending class or collective action to which Grantee is a current or purported class member as of the Grant Date. To the maximum extent allowed by applicable law, Grantee and the Company waive (“Representative Action Waiver”) any right for a Claim to be brought, heard or decided as a Private Attorney General Representative Action on behalf of other grantees (“Representative Action”). The Representative Action Waiver, however, does not apply to a Claim that Grantee brings as a private attorney general solely on his/her own behalf.

(ab) In addition, each of Grantee and the Company shall have the right to seek temporary restraining orders, preliminary and/or permanent injunctions or other like emergency relief from a court where such relief is required to permit the dispute to proceed without such party incurring irreparable harm that may not be remedied monetarily, for example, to prevent violation of: (i) non-competition agreements or obligations; (ii) non-solicitation agreements or obligations; (iii) intellectual property

rights, including, but not limited to, copyrights, patent rights, trade secrets and/or proprietary business know-how; or (iv) confidential information obligations.

(ac) For the avoidance of doubt and notwithstanding the foregoing, this Section 6 does not supersede or render void any prior agreement(s) to arbitrate between the Company and/or any of its direct and indirect subsidiaries, on the one hand, and Grantee, on the other hand with respect to any and all stock options, restricted stock units or other equity awards other than the Options Disputes for the specific Option granted under this Agreement.

(a) Other than potential rights to a trial, a jury trial, and common law claims for punitive and/or exemplary damages, nothing in this Agreement limits any statutory remedy to which Grantee or the Company may be entitled under law. The parties acknowledge that this Agreement shall not alter the at-will nature of their employment relationship MEANING THAT GRANTEE MAY TERMINATE GRANTEE'S EMPLOYMENT WITH THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES AT ANY TIME WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE, AND THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES RESERVE THE SAME RIGHTS TO TERMINATE GRANTEE'S EMPLOYMENT AND/OR DEMOTE GRANTEE.

(g) For purposes of this Section 6, the Company shall be defined to include EchoStar Corporation, its predecessors, direct and indirect subsidiaries and affiliates (except DISH Network Corporation and its direct and indirect subsidiaries, which are not parties to this agreement to arbitrate), its and their officers, directors, shareholders, members, owners, employees, managers, agents, and attorneys, and all successors and assigns of each of the foregoing persons and entities.

7. Miscellaneous

(b) Option Subject to the Plan. The Option is issued pursuant to the Plan and is subject to its terms and conditions. The terms and conditions of the Plan are available for inspection during normal business hours at the principal offices of the Company. The Committee has final authority to decide, interpret, determine and calculate any and all aspects of the Plan in its sole and absolute discretion for any reason or no reason at any time and from time to time.

(c) No Right to Continued Employment; No Rights as Shareholder. This Agreement shall not confer upon Grantee any right with respect to continuance of employment with the Company or any of its direct or indirect subsidiaries, nor shall it interfere in any way with the right of the Company and its direct and indirect subsidiaries to terminate such employment or to demote or remove Grantee for any reason or no reason at any time and from time to time. The holder of the Option will not have any right to dividends or any other rights of a shareholder with respect to Common Shares subject to the Option until such Common Shares shall have been issued to Grantee upon valid exercise of the Option in accordance with this Agreement and the Plan (as evidenced by the records of the transfer agent of the Company).

(d) Changes in Capital Structure. If there shall be any change in the Common Shares of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, then appropriate adjustments may be made by the Company, as determined in the sole and absolute discretion of the Committee for any reason or no reason at any time and from time to time, to all or any portion of the Option that shall have not yet vested or been exercised and not yet been terminated or expired, in order to prevent dilution or enlargement of Grantee's rights under the Option. Such adjustments may include, where appropriate, changes in the number of shares of Common Shares and the price per share subject to the outstanding Option. Notwithstanding the foregoing, no action that would modify the treatment of the Option under the Code shall be effective unless agreed to in writing by both parties.

(e) Assigns and Successors. This Agreement shall inure to the benefit of the Company's assigns and successors and its and their direct and indirect subsidiaries.

(f) Compliance with Law; Legal Requirements. The Company shall at all times during the term of the Option reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Agreement. The exercise of all or any part of the Option shall only be effective at such time that the issuance and sale of Common Shares pursuant to such exercise will not

violate any federal or state securities or other laws. The Company may suspend Grantee's or any holder's of the Option right to exercise the Option and shall not issue or deliver the Common Shares underlying the Option unless it is satisfied in its judgment that the issuance and sale of Common Shares will not violate any of the provisions of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any rules or regulations of the SEC promulgated thereunder, or the requirements of applicable state law relating to authorization, issuance or sale of securities, other applicable laws, rules and regulations or any applicable stock exchange, or any other applicable laws, rules or regulations, or until there has been compliance with the provisions of such acts, laws and rules. If the Company in its sole and absolute discretion so elects, it may register the Common Shares issuable upon the exercise of the Option under the Securities Act and list the Common Shares on any securities exchange. In the absence thereof, Grantee understands that neither the Option nor the Common Shares issuable upon the exercise thereof will be registered under the Securities Act, or tradeable on any securities exchange, and Grantee represents that the Option is being acquired, and that such Common Shares that will be acquired pursuant to exercise of the Option, if any, will be acquired, by Grantee for investment and not with a view to distribution thereof. In the absence of an effective registration statement meeting the requirements of the Securities Act, upon any sale or transfer of the Common Shares issued pursuant to the Option, Grantee shall deliver to the Company an opinion of counsel satisfactory to the Company to the effect that the sale or transfer of the Common Shares does not violate any provision of the Securities Act or the Exchange Act. Grantee understands that the Company is under no obligation to register or qualify the Common Shares with the SEC, any state securities commission or any stock exchange to effect such compliance and that Grantee will have no recourse to or claim against the Company if the Company determines pursuant to this Section 7 that it is unable to deliver the Common Shares upon exercise of the Option. Regardless of whether the offering and sale of the Common Shares have been registered under the Securities Act, or have been registered or qualified under the securities laws of any state, the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time may impose restrictions upon the sale, pledge or other transfer of such Common Shares (including the placement of appropriate legends on certificates or the imposition of stop-transfer instructions on the certificates or book entries, as applicable) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the Exchange Act, the securities laws of any state or other jurisdiction or any other applicable laws, rules and regulations or any applicable stock exchange rules or regulations.

(g) Notice of Disposal of Common Shares; Withholding. To the extent the Option is an ISO, if Grantee shall dispose of any of the Common Shares of the Company acquired by Grantee pursuant to the exercise of such portion of the Option that is an ISO within two years from the Grant Date or within one year after the transfer of any such shares to Grantee upon exercise of such portion of the Option, then, in order to provide the Company with the opportunity to claim the benefit of any income tax deduction (if any) which may be available to it under the circumstances, Grantee shall promptly notify the Company of the dates of acquisition and disposition of such shares, the number of shares so disposed of, and the consideration, if any, received for such shares. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure: (i) notice to the Company of any disposition of the Common Shares of the Company within the time periods described above; and (ii) that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Grantee.

(h) Confidential Treatment of Option. Grantee agrees to treat with confidentiality the existence, terms and conditions of this Agreement and the Option except to the extent specifically disclosed by the Company pursuant to applicable law, and agrees that failure to do so may result in immediate termination of the Option.

(i) Obligations Unaffected. Except as expressly set forth to the contrary in Section 6 of this Agreement, the obligations of Grantee under this Agreement shall be independent of, and unaffected by, and shall not affect, other agreements, if any, binding Grantee which apply to Grantee's business activities during and/or subsequent to Grantee's employment by the Company or any of its direct or indirect subsidiaries or affiliates.

(j) Survival. Any provision of this Agreement which logically would be expected to survive termination or expiration, shall survive for a reasonable time period under the circumstances, whether or not specifically provided in this Agreement. Except as set forth to the contrary in this Agreement (including, without limitation, Section 6 of this Agreement), the obligations under this Agreement also shall survive any changes made in the future to the employment terms and conditions of

Grantee, including without limitation changes in salary, benefits, bonus plans, job or position title and job responsibilities.

(k) Complete Agreement; No Waiver. This Agreement constitutes the entire, final and complete understanding between the parties hereto with respect to the subject matter of this Agreement, and, except as specifically set forth in this Agreement, supersedes and replaces all previous understandings or agreements, written, oral, or implied, with respect to the subject matter of this Agreement made or existing before the date of this Agreement. Except as expressly provided by this Agreement, no waiver or modification of any of the terms or conditions of this Agreement shall be effective unless in writing and signed by both parties. The failure of any party to insist upon strict performance of any provision of this Agreement shall not be construed as a waiver of any subsequent breach of the same or similar nature.

(l) Severability. Each provision of this Agreement shall be construed as separable and divisible from every other provision, and the enforceability of any one provision shall not limit the enforceability, in whole or in part, of any other provision. Except as otherwise set forth in this Agreement, in the event that a court, arbitrator or other body of competent jurisdiction holds any provision of this Agreement to be invalid, illegal, void or less than fully enforceable as to time, scope or otherwise, the parties agree that such provision shall be construed by limiting and reducing it to the minimum extent necessary to render such provision valid, legal and enforceable while preserving to the greatest extent permissible the original intent of the parties; the remaining terms and conditions of this Agreement shall not be affected by such alteration and shall remain in full force and effect. Notwithstanding the foregoing, in the event that any one or more of the covenants set forth in Section 5 of this Agreement are found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of such covenants by Grantee; then the entire Option (both vested and unvested) shall be deemed to have terminated and the Option (both vested and unvested) shall not be exercisable and no Common Shares shall be issuable in connection therewith as of the date of such finding.

(m) Summary Information. In the event that the Company provides Grantee (or anyone acting on behalf of Grantee) with summary or other information concerning, including or otherwise relating to Grantee's rights or benefits under this Agreement (including without limitation the Option, and any vesting thereof), such summary or other information shall in all cases be qualified in its entirety by this Agreement and the Plan, and, unless it explicitly states otherwise and is signed by an officer of the Company, shall not constitute an amendment or other modification hereto.

(n) Grantee Acknowledgements

(i) Grantee understands, acknowledges, agrees and hereby stipulates that he or she is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else.

(ii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has carefully read, considered and understands all of the provisions of this Agreement, the Plan and the Company's policies reflected in this Agreement.

(iii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has asked any questions needed for him or her to understand the terms, consequences and binding effect of this Agreement and the Plan and Grantee fully understands them, including, without limitation, that he or she is waiving the right to a trial, a trial by jury, and common law claims for punitive and/or exemplary damages.

(iv) Grantee understands, acknowledges, agrees and hereby stipulates that he or she was provided an opportunity to seek the advice of an attorney and/or tax professional of his or her choice before accepting this Agreement.

(v) Grantee understands, acknowledges, agrees and hereby stipulates that the obligations and restrictions set forth in this Agreement are consistent with Grantee's right to sell his or her labor, the public's interest in unimpeded trade, are fair and reasonable, and are no broader than are reasonably required to protect the Company's interests.

(vi) Grantee understands, acknowledges, agrees and hereby stipulates that it is the Company's policy to seek legal recourse to the fullest extent possible for actual, threatened or attempted violation of, or challenges to the enforceability of, this Agreement. Grantee understands that nothing in this Agreement shall be construed to prohibit the Company from pursuing any other available remedies for such actual, threatened or attempted violation or challenges to enforceability, including, without limitation, the recovery of damages from Grantee. Grantee further agrees that, if he or she violates, threatens or attempts to violate, or challenges the enforceability of, this Agreement, it would be difficult to determine the damages and lost profits which the Company would suffer as a result thereof including, but not limited to, losses attributable to lost or misappropriated Confidential Information and Trade Secrets and losses stemming from violations of the non-disclosure, non-compete and/or non-solicitation obligations set forth above. Accordingly, Grantee agrees that if he or she violates, threatens or attempts to violate or challenges the enforceability of this Agreement, then the Company shall be entitled to an order for injunctive relief and/or for specific performance, or their equivalent, in addition to money damages and any other remedies otherwise available to it at law or equity. Such injunctive relief includes but is not limited to requirements that Grantee take action or refrain from taking action to avoid competing with the Company, to avoid soliciting the Company's employees or customers, to preserve the secrecy of Confidential Information and Trade Secrets, to not use Confidential Information and Trade Secrets, to avoid conflicts of interest and to protect the Company from irreparable harm. Grantee expressly agrees that the Company does not need to post a bond to obtain an injunction and Grantee waives the right to require such a bond.

(a) Notice. All notices to the Company shall be addressed to: EchoStar Corporation, 100 Inverness Terrace East, Englewood, Colorado, 80112, Attn: Corporate Secretary, or to such other address or person as the Company may notify Grantee from time to time. All notices to Grantee or other person or persons then entitled to exercise the Option shall be addressed to Grantee or such other person(s) at Grantee's address on file with the Company, or to such other address as Grantee or such person(s) may notify the Company or its administrator for the Option in writing from time to time.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Upon Grantee's acceptance of the terms and conditions set forth in this Agreement through the electronic grant process available through the Administrator, this Agreement shall become effective between the parties as of the Grant Date.

ECHOSTAR CORPORATION

GRANTEE – [Participant Name]
Accepted on [Acceptance Date]

Exhibit A to Employee Stock Option Agreement

Grant Date: _____

Number of Common Shares subject to the Option: _____

Option Price: \$ _____

Vesting Schedule: _____

Expiration Date: _____

**ECHOSTAR CORPORATION
EXECUTIVE OFFICER STOCK OPTION AGREEMENT**

This Stock Option Agreement (the “Agreement”) is entered into effective as of the Grant Date set forth on Exhibit A to this Agreement (the “Grant Date”), by and between EchoStar Corporation, a Nevada corporation (the “Company”), and [Participant Name] (“Grantee”).

RECITAL

WHEREAS, the Company, pursuant to its 2017 Stock Incentive Plan (as amended from time to time, the “Plan”) desires to grant this stock option to Grantee, and Grantee desires to accept such stock option, each under the terms and conditions set forth in this Agreement; and

WHEREAS, the Option (as defined below) is intended to be consideration in exchange for the covenants herein contained and not in exchange for any right with respect to continuance of employment with or service to the Company or any of its direct or indirect subsidiaries.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Option

The Company hereby grants to Grantee, as of the Grant Date, the right and option (hereinafter called the “Option”) to purchase all or any part of the number of shares of the Class A common stock of the Company, par value \$0.001 per share (the “Common Shares”) set forth on Exhibit A to this Agreement, at the price per share set forth on Exhibit A to this Agreement, which price is equal to or greater than the fair market value of a Common Share on the Grant Date (or the last trading day prior to the Grant Date, if the Grant Date was not a trading day) (the “Option Price”), and on the terms and conditions set forth in this Agreement. The Option Price is subject to adjustment as provided in this Agreement and the Plan. The Option is intended to be an incentive stock option (an “ISO”) within the meaning of the Internal Revenue Code of 1986, as amended, and regulations thereunder (the “Code”) to the full extent permitted under the provisions of the Code; provided that any portion of the Option that is not eligible to be an ISO under the Code shall be a non-statutory stock option that does not qualify as an “incentive stock option” within the meaning of the Code. Grantee understands, acknowledges, agrees and hereby stipulates that to the extent that the aggregate fair market value (as determined by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time as of the Grant Date) of the Common Shares with respect to which all ISOs are exercisable for the first time by Grantee during any calendar year exceeds one-hundred thousand dollars (\$100,000), in accordance with Section 422(d) of the Code, such ISOs, including without limitation, all or a portion of the Option, shall be treated as options that do not qualify as ISOs.

Notwithstanding anything in the Plan to the contrary, this Agreement and the Option granted hereunder shall be null and void and of no further force and effect unless and until the Grantee shall have accepted and acknowledged this Agreement within thirty (30) days after the Grant Date by following the current procedures implemented by the Company’s administrator for the Plan (the “Administrator”), as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason from time to time.

2. Duration and Exercisability

(a) Subject to the terms and conditions set forth in this Agreement and the Plan, and Grantee being an employee of the Company or its direct or indirect subsidiaries, if any, on each applicable vesting date, the Option shall vest on, and may be exercised by Grantee on the vesting dates, and in accordance with the vesting schedule, set forth on Exhibit A to this Agreement.

Notwithstanding the foregoing or anything set forth on Exhibit A to this Agreement, vesting of the Option shall immediately cease upon the occurrence of any of the events provided for in Sections 3(a)-(d), as applicable.

(b) Except as permitted pursuant to the Plan, (i) during the lifetime of Grantee, the Option shall be exercisable only by Grantee or, if permissible under applicable law, by Grantee's guardian or legal representative, (ii) the Option shall not be assignable or transferable by Grantee, other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code, Title I of the Employee Retirement Income Security Act, or the rules promulgated thereunder, and (iii) the Option may not be sold, assigned, transferred or otherwise disposed of, or pledged, alienated, attached, hypothecated, or otherwise encumbered in any manner (whether by operation of law or otherwise), and will not be subject to execution, attachment or other process. Any purported sale, assignment, transfer, pledge, alienation, attachment or encumbrance in violation of the terms of this Agreement or the Plan shall be void and unenforceable against the Company or any of its subsidiaries. Any sale, assignment, transfer, pledge, hypothecation, or other disposition of the Option or any attempt to make any such levy of execution, attachment or other encumbrance will cause the Option to terminate immediately, unless the Board of Directors of the Company or the Committee (as defined in the Plan), in their sole and absolute discretion for any reason or no reason at any time and from time to time, specifically waives applicability of this provision.

(c) Notwithstanding any other provisions in this Agreement or the Plan, the Option shall expire and terminate, and shall cease to be exercisable, on the expiration date set forth on Exhibit A to this Agreement (the "Expiration Date").

(d) The Company assumes no responsibility for individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option or any subsequent disposition of Common Shares. Additionally, the Company assumes no responsibility in the event that the Option or any portion thereof is ultimately determined to not be an ISO or the tax treatment therefore is ultimately determined to be other than the tax treatment afforded for ISOs, whether such other treatment is the result of changes in the tax laws, a disqualifying disposition by Grantee, or for any other reason. **Grantee should consult with Grantee's personal tax advisor regarding the tax ramifications, if any, which result from the grant, vesting, adjustment, forfeiture, termination, recoupment or exercise of the Option, and any subsequent disposition of Common Shares.** If, in the Company's sole and absolute discretion for any reason or no reason at any time and from time to time, it is necessary or appropriate to collect or withhold federal, state or local taxes in connection with the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of any portion of the Option and/or any subsequent disposition of Common Shares, the Company shall be entitled to require the payment of such amounts as a condition to exercise. Prior to any relevant taxable or tax withholding event, as applicable, Grantee shall pay or make arrangements satisfactory to the Company to satisfy all withholding obligations. In furtherance and without limiting the generality of the foregoing, Grantee (on its own behalf and on behalf of each and every other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) hereby authorizes the Company, in its sole and absolute discretion for any reason or no reason at any time and from time to time (including without limitation, pursuant to the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time), to satisfy all withholding and all other obligations with regard to any individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option and/or any subsequent disposition of Common Shares by one or a combination of the following:

- i. withholding from any wages or other cash or equity compensation payable to Grantee by the Company;
- ii. withholding Common Shares that are otherwise issuable upon exercise of the Option;
- iii. arranging for the sale of Common Shares that are otherwise issuable upon exercise of the Option, including, without limitation, selling Common Shares as part of a block trade with other grantees under the Plan or otherwise; and/or
- iv. withholding from the proceeds of the sale of Common Shares issued upon exercise of the Option or other Common Shares issuable to the Grantee.

(e) In accepting the terms and conditions of this Agreement and the Option and in considering the exercise of the Option, Grantee understands, acknowledges, agrees and hereby stipulates that he or she has used and shall use the same independent investment judgment that Grantee would use in making other investments in corporate securities. Among other things, stock prices will fluctuate over any reasonable period of time and the price of the Common Shares may go down as well as up. No guarantees are made as to the future prospects of the Company or the Common Shares, or that any market for sale of the Common Shares will exist in the future. No representations are made by the Company except as may be contained in any active registration statement on file with the United States Securities and Exchange Commission (“SEC”) relating to the Plan at the time of the applicable exercise of the Option.

3. Effect of Termination of Employment; Violation of Covenants; Covenants Found Unenforceable; Death or Disability; Demotion; Termination After Change in Control

(f) In the event that Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, for any reason other than as a result of or in connection with Grantee’s serious misconduct or violation of the covenants set forth in Section 5 of this Agreement or other circumstances as described in Section 3(b) of this Agreement or Grantee’s death or disability (as described in Section 3(c) of this Agreement), Grantee shall have the right to exercise the Option at any time within one month after such cessation of employment (the “One Month Period”), **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such cessation of employment, subject to the conditions that (i) any vested or exercisable portion of the Option not exercised within the One Month Period shall be automatically exercised pursuant to the Expiration Exercise Procedures set forth in Section 4(c) below, (ii) any portion of the Option not vested or otherwise not exercisable as of the date of such cessation of employment shall be deemed to have terminated and cannot be exercised as or after such date, and (iii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(a) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(g) In the event that (i) Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, by reason of Grantee’s serious misconduct during the course of employment, including without limitation wrongful appropriation of the Company’s or its subsidiaries’ funds, theft of the Company’s or its subsidiaries’ property or other reasons as determined by the Company, (ii) Grantee violates any one or more of the covenants set forth in Section 5 of this Agreement as determined by the Company, or (iii) any one or more of the covenants set forth in Section 5 of this Agreement is found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee, then the **entire** Option (both vested and unvested) shall be deemed to have terminated and cannot be exercised and no Common Shares shall be issuable in connection therewith as of the date of the earliest to occur of: (A) the serious misconduct or cessation of employment, in all cases as the Company may select and as determined by the Company; (B) any violation of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (C) any finding of unenforceability against the Grantee of any one or more of the covenants set forth in Section 5 of this Agreement to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened or attempted violation of any such covenants by Grantee. The termination of the Option by reason of this Section 3(b) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option. For clarification purposes, with respect to interpreting any and all violation(s) (or other logical formulation thereof such as “violates”) of the covenants set forth in this Agreement (including without limitation, the covenants in Section 5 of this Agreement), such violation(s) shall include, but is not limited to, any actual, threatened or attempted violation of any such covenants by the Grantee that may result in, among other things, the Company or any of its direct or indirect subsidiaries having to seek a temporary restraining order, preliminary injunction, or other similar relief against the Grantee to attempt to prevent any such actual, threatened or attempted violation.

(h) In the event that Grantee shall die while in the employ of the Company or its direct or indirect subsidiaries, if any, or within the One Month Period, or if Grantee’s employment with the Company and/or its direct or indirect subsidiaries, if any, is terminated because Grantee has become disabled (within the meaning of Section 22(e)(3) of the Code and regulations thereunder) while in the

employ of the Company or its direct or indirect subsidiaries, if any, and Grantee shall not have exercised the Option to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option as of the date of such death or termination on account of disability, as applicable, then such Option may be exercised at any time within twelve months after the date of such death or termination on account of disability (the "Death or Disability Post-Termination Exercise Period"), as applicable, by Grantee or the personal representatives or administrators, executor or guardians of Grantee, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such death or termination on account of disability, as applicable, subject to the conditions that (i) any vested or exercisable portion of the Option not exercised within the Death or Disability Post-Termination Exercise Period shall be automatically exercised pursuant to the Expiration Exercise Procedures set forth in Section 4(c) below, (ii) any portion of the Option not vested or otherwise not exercisable as of the date of such death or termination on account of disability, as applicable, shall be deemed to have terminated and cannot be exercised as or after such date, and (iii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(c) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(i) In the event that Grantee is demoted (but remains employed) by the Company or its direct and indirect subsidiaries, if any, from Grantee's current level (e.g., chairman, chief executive officer, president, executive vice president, senior vice president, vice president, director, manager, or other level held by Grantee on the date of this Agreement), the Option shall continue in force, unless otherwise terminated, **but only** to the extent of the full number of vested Common Shares that Grantee was entitled to exercise under the Option on the date of such demotion (the "Remaining Vested Options Following Demotion"), subject to the conditions that (i) any portion of the Option not vested or otherwise not exercisable as of the date of such demotion shall be deemed to have terminated and cannot be exercised as of the date of demotion, and (ii) no portion of the Option shall be exercisable (whether vested or unvested) after the Expiration Date. The termination of the Option by reason of this Section 3(d) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Option or any Common Shares issued or issuable upon exercise of the Option.

(j) In the event that (i) a Change in Control occurs, and (ii) Grantee is terminated by the Company and/or its direct and indirect subsidiaries (and not simultaneously employed by the surviving entity or its direct or indirect subsidiaries -- if not the Company -- in connection with, as a result of, upon or after the Change in Control), for any reason other than for Cause, during the twenty-four (24) month period following such Change in Control, then all portions of the Option not previously vested shall immediately vest and become exercisable on the date of such termination, and Grantee shall have the right to exercise all unexercised portions of the Option within one month after such termination of employment (the "Change in Control One Month Period"), subject to the conditions that (i) any portion of the Option not exercised within such Change in Control One Month Period shall be automatically exercised pursuant to the Expiration Exercise Procedures set forth in Section 4(c) below, and (ii) no portion of the Option (whether vested or unvested) shall be exercisable after the Expiration Date.

For the purpose of this subsection 3(e), the capitalized terms shall have the following meanings: "Capital Stock" means: any and all shares, interests, participations, rights or other equivalents, however designated, of corporate stock or partnership or membership interests, whether common or preferred. "Cause" means: (i) the willful and continued failure of Grantee to substantially perform his or her duties consistent with past practices prior to the Change in Control; (ii) any illegal conduct or gross misconduct which is materially injurious to the Company or its affiliates; (iii) Grantee has been convicted of or pleaded guilty or nolo contendere to a felony or any crime involving moral turpitude or dishonesty; or (iv) Grantee has been convicted of or pleaded guilty or nolo contendere to a felony, crime or engaged in conduct which results in a prohibition on the Grantee from serving, for any period of time, as an officer or director of a publicly traded company by any federal, state or other regulatory governing body (including without limitation, an exchange or association such as NYSE or Nasdaq). "Change in Control" means: a transaction or a series of transactions the result of which is that any person (other than the Principal or a Related Party) individually owns more than fifty percent (50%) of the total voting power of the voting Equity Interests of either (A) the Company or (B) the surviving entity in any such transaction(s) or a controlling affiliate of such surviving entity in such transaction(s). "Equity Interest" means: any Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock). "Principal" means: Charles W. Ergen.

“Related Party” means: with respect to the Principal, (a) the spouse and each immediate family member of the Principal; (b) each trust, corporation, partnership or other entity of which the Principal and/or the Principal’s spouse and/or immediate family members beneficially holds an eighty percent (80%) or more controlling interest; and (c) all trusts, including grantor retained annuity trusts, established by the Principal for the benefit of his family.

(k) Notwithstanding any other provision in this Agreement or the Plan or any termination or expiration of the Option, the covenants set forth in Section 5 of this Agreement shall continue in force in accordance with their terms unless otherwise terminated by the Company.

4. Manner of Exercise

(l) The Option can be exercised only by Grantee or other proper party as described in Section 2(b), Section 3(c) and/or Section 4(c) of this Agreement, in whole Common Shares, upon meeting the applicable vesting requirements for the Option represented by this Agreement and by following, prior to the earlier of any forfeiture or termination or the Expiration Date, the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time. The instruction to exercise the Option must be made by a person entitled to exercise the Option and shall (i) include, among other things, the number of Common Shares as to which the Option is being exercised, (ii) contain a representation and agreement as to Grantee’s investment intent with respect to the Common Shares in a form satisfactory to the Company (unless a Prospectus meeting applicable requirements of the Securities Act of 1933, as amended (“Securities Act”), is in effect for the Common Shares being purchased pursuant to exercise of the Option), and (iii) be accompanied by payment in full of the Option Price for all Common Shares designated in the instruction. The instruction to exercise shall be sent as set forth in Section 7(n) of this Agreement or in such other manner pursuant to the then-applicable procedures implemented by the Administrator.

(m) Except as otherwise provided for by the then-current procedures implemented by the Administrator or as otherwise specified in Section 4(c) of this Agreement, Grantee shall pay the Option Price for the Common Shares purchased in cash or by certified or bank cashier’s check.

(n) If, upon the close of trading on the NASDAQ Stock Market (or, in the event that the Common Shares are no longer listed and traded on the NASDAQ Stock Market, such other stock exchange on which the Common Shares are then listed and traded) (the “Market Close”) (i) in the event of a termination of the Grantee’s employment as contemplated by Section 3(a) of this Agreement, on the earlier of (x) the last day of the One Month Period, and (y) the Expiration Date, (ii) in the event of a termination of the Grantee’s employment as contemplated by Section 3(c) of this Agreement, on the earlier of (x) the last day of the Death or Disability Post-Termination Exercise Period, and (y) the Expiration Date, (iii) in the event of a termination of the Grantee’s employment as contemplated by Section 3(e) of this Agreement, on the earlier of (x) the last day of the Change in Control One Month Period, and (y) the Expiration Date, and (iv) in any other circumstance where all or any portion of the Option is then outstanding and exercisable on the Expiration Date, on the Expiration Date (the dates in clauses (i) – (iv), as applicable (or the last trading day prior to any such date (if such date is not a trading day)), the “Expiration Exercise Date”), all or any portion of the Option is vested and exercisable, then the vested and exercisable portion of the Option shall be automatically exercised upon the Market Close on the Expiration Exercise Date without any further action by Grantee (or any other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) pursuant to the applicable then-current procedures implemented by the Administrator (the “Expiration Exercise Procedures”), as such Administrator and Expiration Exercise Procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time.

Pursuant to the Expiration Exercise Procedures: (i) the following costs and expenses will be satisfied by withholding otherwise deliverable Common Shares to be issued upon the automatic exercise of the Option: (A) the Option Price for the full number of vested Common Shares that are automatically exercised under the Option pursuant to this Section 4(c); (B) the Administrator’s fees and commissions, if any; (C) other brokerage fees and commissions, if any; and (D) all withholding and all other obligations with regard to any individual income taxes (which Grantee understands, acknowledges, agrees and hereby stipulates may be withheld at the highest then-current tax rate), penalties or interest related to the grant, vesting, forfeiture, termination, recoupment, adjustment or exercise of the Option and/or any subsequent disposition of Common Shares in connection with the Expiration Exercise Procedures or otherwise; and (ii) the number of whole Common Shares, if any, remaining after

completion of all withholding as described in subsection (i) of these Expiration Exercise Procedures shall be issued to Grantee. Without limitation of the generality of Section 2(d) of this Agreement, in the event that the amounts withheld pursuant to the Expiration Exercise Procedures are insufficient to satisfy Grantee's actual individual income tax, penalty and/or interest obligations, Grantee understands, acknowledges, agrees and hereby stipulates that Grantee, and not the Company, shall be solely responsible and liable for payment of any deficiencies. Only an Option that is "in-the-money" at Market Close on the Expiration Exercise Date shall be automatically exercised pursuant to this Section 4(c). An Option shall be considered "in-the-money" for purposes of this Section 4(c) if the fair market value of a Common Share upon the Market Close on the Expiration Exercise Date is at least one percent (1%) greater than the Option Price. Furthermore, and without limitation of the generality of the preceding sentence, any exercise of the Option that would result in the issuance of less than one whole Common Share to Grantee pursuant to the Expiration Exercise Procedures shall not be automatically exercised pursuant to this Section 4(c). Grantee (on its own behalf and on behalf of each and every other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) hereby expressly authorizes and agrees to the automatic exercise of the Option as provided in this Section 4(c) (and shall be deemed to have given all instructions and representations required under Section 4(a) of this Agreement in connection with the automatic exercise of the Option as provided in this Section 4(c)), and neither the approval of the Administrator, nor the consent of Grantee (or any other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) shall be required at the time of the automatic exercise of the Option pursuant to this Section 4(c). For the avoidance of doubt, Grantee may exercise any vested and exercisable portion of the Option prior to Market Close on the Expiration Exercise Date. **Grantee understands, acknowledges, agrees and hereby stipulates that the automatic exercise procedure pursuant to this Section 4(c) is provided solely as a convenience to Grantee as protection against Grantee's inadvertent failure to exercise all or any portion of an "in-the-money" Option that is vested and exercisable before such Option expires under this Agreement. Because any exercise of all or any portion of the Option is solely Grantee's responsibility, Grantee hereby waives and releases and agrees to indemnify and hold the Company harmless from and against any and all claims of any kind whatsoever against the Company and/or any other party (including without limitation, the Administrator and the Company's Grantees and agents) arising out of or relating to the automatic exercise procedure pursuant to this Section 4(c) (or any failure thereof), including without limitation any resulting individual income tax, penalty and/or interest liability and/or any other liability if the automatic exercise of the Option does occur, or does not occur for any reason or no reason whatsoever and/or the Option actually expires.**

(o) Unless notified by the Company or the Administrator to the contrary, the Common Shares issuable on exercise of the Option shall be deemed issued on the date specified by the Company within five (5) business days following the date that the Company determines that all requirements for issuance of the Common Shares have been properly completed, including, without limitation, payment of all applicable withholding taxes. The Company shall have no obligation to issue the Common Shares upon the exercise of any portion of the Option until it has confirmed to its satisfaction that all requirements for the issuance have been accomplished. Any notice of exercise shall be void and of no effect if all requisite events have not been accomplished.

(p) Unless the Company waives applicability of this provision, the certificate or certificates for the Common Shares, if any, as to which the Option shall be exercised or the book entries, as applicable, may be registered only in the name of Grantee (or if Grantee so requests in the notice of exercise of the Option, jointly in the name of Grantee and with a member of Grantee's family, with the right of survivorship, or in the event of the death of Grantee, in the name of such survivor of Grantee as the person with the right to exercise the Option shall designate).

5. [Intentionally omitted]; Protection of Confidential Information and Trade Secrets

(q) Grantee shall serve the Company and its direct and indirect subsidiaries (collectively, the "Company" for purposes of this Section 5), loyally and in good faith and use Grantee's best efforts to promote the Company's interests. Grantee hereby [intentionally omitted], and agrees to protect from disclosure (for clarification purposes, such agreement to protect from disclosure shall include, without limitation, an agreement not to use) Confidential Information and Trade Secrets (as defined in Section 5(e) of this Agreement) [intentionally omitted].

- (r) [Intentionally omitted].
- (s) [Intentionally omitted].
- (t) [Intentionally omitted].

(u) **Non-Disclosure and Non-Use of Confidential Information and Trade Secrets.** Grantee further agrees to hold in a fiduciary capacity for the benefit of the Company any and all proprietary and confidential information, knowledge, ideas and data, including, without limitation, customer lists and the Company's trade secrets, products, processes and programs ("Confidential Information and Trade Secrets"), relating in any way to the present or future business or activities of the Company for as long as such Confidential Information and Trade Secrets remain confidential (for clarification purposes, this restriction shall include, but not be limited to, the obligation of and agreement by Grantee not to (i) disclose to, or use to or for the benefit of, any person or entity other than the Company any Confidential Information and Trade Secrets, and/or (ii) take a position where Grantee may use and/or disclose any Confidential Information and Trade Secrets). Such Confidential Information and Trade Secrets include but are not limited to: (i) the Company's financial and business information, such as capital structure, operating results, strategies and plans for future business, pending projects and proposals and potential acquisitions or divestitures; (ii) product and technical information, such as product formulations, new and innovative product ideas, proprietary credit scoring models and approaches, credit policies, new business developments, plans, designs, compilation methods, processes, procedures, program devices, data processing programs, software, software codes, hardware, firmware and research and development products; (iii) marketing information, such as new marketing ideas, mailing lists, the identity and number of the Company's customers and prospects, their names and addresses and sales and marketing plans; (iv) information about the Company's third-party agreements and any confidential or protected information disclosed to the Company by a third-party; (v) the Company's suppliers, partners, customers and prospect lists; and (vi) personnel information, such as the identity and number of the Company's other employees, their salaries, bonuses, benefits, skills, qualifications and abilities. For the avoidance of doubt and notwithstanding the foregoing, the term "trade secrets" shall mean items of Confidential Information and Trade Secrets that meet the requirements of the Uniform Trade Secrets Act, as adopted in the state of Maryland and as amended from time to time or under the Defend Trade Secrets Act, 18 U.S.C. §1833, et seq. Under the federal Defend Trade Secrets Act of 2016, Grantee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (x) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (y) is made to Grantee's attorney in relation to a lawsuit for retaliation against Grantee for reporting a suspected violation of law; or (z) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement prohibits or restricts Grantee (or Grantee's attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization, or any other federal or state regulatory authority regarding a possible securities law violation. All Confidential Information and Trade Secrets, together with all copies thereof and notes and other references thereto, shall remain the sole property of the Company. To the extent that Grantee possesses any Confidential Information and Trade Secrets or equipment belonging to the Company, Grantee agrees to deliver to the Company, immediately upon termination of employment and at any time and from time to time as the Company requests: (i) any and all documents, files, notes, memoranda, databases, computer files, and/or other computer programs reflecting any Confidential Information and Trade Secrets; and (ii) any and all computer equipment, home office equipment, automobile, or other business equipment belonging to the Company that Grantee may then possess or have under his or her control. For any equipment or devices owned by Grantee on which proprietary information of the Company is stored or accessible, Grantee shall, immediately upon or prior to termination of employment, deliver such equipment or devices to the Company so that any proprietary information may be deleted or removed. Grantee expressly authorizes the Company's designated representatives to access such equipment or devices for this limited purpose and shall provide any passwords and/or passcodes necessary to accomplish this task. Grantee acknowledges that all Confidential Information and Trade Secrets is essential to the Company's present and future business and activities, and is therefore deemed trade secrets and is considered proprietary to, and treated as confidential by, the Company. This obligation of confidentiality is intended to supplement, and is not intended to supersede or limit, the obligations of confidentiality Grantee has to the Company by agreement, law or otherwise.

(v) Remedies. Grantee understands, acknowledges, agrees and hereby stipulates that any and all actual, threatened or attempted violations of any and all covenants in this Agreement (including, without limitation, covenants in this Section 5), challenges of or to the enforceability of any such covenants and/or findings of unenforceability of any such covenants against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from a threatened or attempted violation of any such covenants by Grantee, may cause the Company irreparable harm, which may not be compensated for by monetary damages alone.

(w) Tolling. Grantee further agrees that, while the duration of the covenants contained in this Section 5 will be determined generally in accordance with the terms of each respective covenant, if Grantee violates or threatens to violate any of those covenants, or it is necessary for the Company to seek to enforce any of those covenants, Grantee agrees to an extension of the duration of such covenant on the same terms and conditions for an additional period of time equal to the time that elapses from the commencement of such violation or threat of violation to the later: of (i) the termination of such violation or threat of violation; or (ii) the final non-appealable resolution of any litigation or other legal proceeding stemming from such violation or threatened or attempted violation.

(x) No Waiver. In addition to (and without limitation of) the other terms and conditions of this Agreement, the failure of the Company to insist upon strict performance of any provision of any agreement between the Company, on the one hand, and another grantee, employee, person or entity, on the other hand, shall not be construed as a waiver of the Company's right to insist upon strict performance of each and every representation, warranty, covenant, duty and obligation of Grantee hereunder. In addition to (and without limitation of) the foregoing, the election of certain remedies by the Company with respect to the breach or default by another grantee, employee, person or entity of any agreement between the Company, on the one hand, and such other grantee, employee, person or entity, on the other hand, shall not be deemed to prejudice any rights or remedies that the Company may have at law, in equity, under contract (including without limitation this Agreement) or otherwise with respect to a similar or different breach or default hereunder by Grantee (all of which are hereby expressly reserved).

(y) Recoupment. Notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Option (whether vested or unvested) shall be subject to deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or "clawback" as may be required to be made pursuant to the provisions of any applicable law, government regulation or stock exchange listing requirement as well as any policies of the Company that may be in effect from time to time pursuant to any law, government regulation or stock exchange listing requirement. In addition, notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Option (whether vested or unvested) shall be subject to deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or "clawback" if: (i) Grantee ceases or has ceased to be employed by the Company or its direct or indirect subsidiaries, if any, by reason of Grantee's serious misconduct during the course of employment, including without limitation, wrongful appropriation of the Company's funds or theft of Company property; (ii) Grantee violates or has violated any of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (iii) any of the covenants set forth in Section 5 of this Agreement are or were found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee.

6. Dispute Resolution

(z) Grantee and the Company mutually agree that any claim, controversy and/or dispute between them, arising out of, relating to, or in connection with: (i) Grantee's application for employment, employment and/or termination of employment, including without limitation claims for wages and other compensation, breach of contract, misappropriation of trade secrets or unfair competition, violation of public policy, wrongful termination, tort claims, claims for unlawful retaliation, discrimination and/or harassment; and claims for violation of any federal, state, or other government law, statute, regulation, or ordinance, such as, for example, claims under the Age Discrimination in Employment Act (as amended), the Americans with Disabilities Act (as amended); Title VII of the Civil Rights Act of 1964 (as amended); the Equal Pay Act (as amended); the Fair Credit Reporting Act (as amended); the Fair Labor Standards Act (as amended); the Family and Medical Leave Act (as amended); the Pregnancy Discrimination Act (as amended); the Rehabilitation Act (as

amended); Section 1981 through 1988 of Title 42 of the United States Code (as amended); and the Worker Adjustment and Retraining Notification Act (as amended); and/or (ii) this Agreement (including, without limitation, an actual, threatened or attempted violation of any of the covenants set forth in Section 5 of this Agreement) (“Options Disputes”) ((i) or (ii) each, a “Claim” and (i) and (ii) collectively, “Claims”), whenever and wherever brought shall be exclusively governed by and construed in accordance with the laws of the State of Maryland applicable to contracts to be made and performed entirely within the State of Maryland by residents of the State of Maryland, without giving any effect to its conflict of law provisions, and Grantee and the Company consent to and submit to the in personam jurisdiction of the appropriate State Court located in Montgomery County, State of Maryland and the United States District Court for the District of Maryland for the purposes set forth in this section, and WAIVE, FULLY AND COMPLETELY, ANY OBJECTION TO VENUE AND RIGHT TO DISMISS AND/OR TRANSFER ANY ACTION PURSUANT TO TITLE 28 U.S.C. SECTION 1404 OR 1406 (OR ANY SUCCESSOR STATUTE).

(aa) The parties agree that each party to any court proceeding contemplated by this Section 6 shall be responsible for its own attorneys’ fees and costs; provided, however, that unless otherwise required by applicable law or this Agreement, the prevailing party in any court proceeding contemplated by this Section 6 shall be entitled to reimbursement of its, his or her reasonable attorneys’ fees, costs, and expenses.

(ab) To the maximum extent allowed by applicable law, (i) Grantee and the Company agree to bring any Claim on an individual basis only, and not as a class, multi-plaintiff, representative, or collective action, (ii) Grantee and the Company waive any right for a Claim to be brought, heard, or decided as a class, multi-plaintiff, representative, or collective action (“Class Action Waiver”). This Class Action Waiver, however, does not prevent Grantee from joining, opting into or participating in a pending class or collective action to which Grantee is a current or purported class member as of the Grant Date. To the maximum extent allowed by applicable law, Grantee and the Company waive (“Representative Action Waiver”) any right for a Claim to be brought, heard or decided as a Private Attorney General Representative Action on behalf of other grantees (“Representative Action”). The Representative Action Waiver, however, does not apply to a Claim that Grantee brings as a private attorney general solely on his/her own behalf.

(ac) In addition, each of Grantee and the Company shall have the right to seek temporary restraining orders, preliminary and/or permanent injunctions or other like emergency relief from a court where such relief is required to permit the dispute to proceed without such party incurring irreparable harm that may not be remedied monetarily, for example, to prevent violation of: (i) non-competition agreements or obligations; (ii) non-solicitation agreements or obligations; (iii) intellectual property rights, including, but not limited to, copyrights, patent rights, trade secrets and/or proprietary business know-how; or (iv) confidential information obligations.

(ad) For the avoidance of doubt and notwithstanding the foregoing, this Section 6 does not supersede or render void any prior agreement(s) to arbitrate between the Company and/or any of its direct and indirect subsidiaries, on the one hand, and Grantee, on the other hand with respect to any and all stock options, restricted stock units or other equity awards other than the Options Disputes for the specific Option granted under this Agreement.

(ae) Other than potential rights to a trial, a jury trial, and common law claims for punitive and/or exemplary damages, nothing in this Agreement limits any statutory remedy to which Grantee or the Company may be entitled under law. The parties acknowledge that this Agreement shall not alter the at-will nature of their employment relationship MEANING THAT GRANTEE MAY TERMINATE GRANTEE’S EMPLOYMENT WITH THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES AT ANY TIME WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE, AND THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES RESERVE THE SAME RIGHTS TO TERMINATE GRANTEE’S EMPLOYMENT AND/OR DEMOTE GRANTEE.

(af) For purposes of this Section 6, the Company shall be defined to include EchoStar Corporation, its predecessors, direct and indirect subsidiaries and affiliates (except DISH Network Corporation and its direct and indirect subsidiaries, which are not parties to this agreement to arbitrate), its and their officers, directors, shareholders, members, owners, employees, managers, agents, and attorneys, and all successors and assigns of each of the foregoing persons and entities.

7. Miscellaneous

(ag) Option Subject to the Plan. The Option is issued pursuant to the Plan and is subject to its terms and conditions. The terms and conditions of the Plan are available for inspection during normal business hours at the principal offices of the Company. The Committee has final authority to decide, interpret, determine and calculate any and all aspects of the Plan in its sole and absolute discretion for any reason or no reason at any time and from time to time.

(ah) No Right to Continued Employment; No Rights as Shareholder. This Agreement shall not confer upon Grantee any right with respect to continuance of employment with the Company or any of its direct or indirect subsidiaries, nor shall it interfere in any way with the right of the Company and its direct and indirect subsidiaries to terminate such employment or to demote or remove Grantee for any reason or no reason at any time and from time to time. The holder of the Option will not have any right to dividends or any other rights of a shareholder with respect to Common Shares subject to the Option until such Common Shares shall have been issued to Grantee upon valid exercise of the Option in accordance with this Agreement and the Plan (as evidenced by the records of the transfer agent of the Company).

(ai) Changes in Capital Structure. If there shall be any change in the Common Shares of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, then appropriate adjustments may be made by the Company, as determined in the sole and absolute discretion of the Committee for any reason or no reason at any time and from time to time, to all or any portion of the Option that shall have not yet vested or been exercised and not yet been terminated or expired, in order to prevent dilution or enlargement of Grantee's rights under the Option. Such adjustments may include, where appropriate, changes in the number of shares of Common Shares and the price per share subject to the outstanding Option. Notwithstanding the foregoing, no action that would modify the treatment of the Option under the Code shall be effective unless agreed to in writing by both parties.

(aj) Assigns and Successors. This Agreement shall inure to the benefit of the Company's assigns and successors and its and their direct and indirect subsidiaries.

(ak) Compliance with Law; Legal Requirements. The Company shall at all times during the term of the Option reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Agreement. The exercise of all or any part of the Option shall only be effective at such time that the issuance and sale of Common Shares pursuant to such exercise will not violate any federal or state securities or other laws. The Company may suspend Grantee's or any holder's of the Option right to exercise the Option and shall not issue or deliver the Common Shares underlying the Option unless it is satisfied in its judgment that the issuance and sale of Common Shares will not violate any of the provisions of the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any rules or regulations of the SEC promulgated thereunder, or the requirements of applicable state law relating to authorization, issuance or sale of securities, other applicable laws, rules and regulations or any applicable stock exchange, or any other applicable laws, rules or regulations, or until there has been compliance with the provisions of such acts, laws and rules. If the Company in its sole and absolute discretion so elects, it may register the Common Shares issuable upon the exercise of the Option under the Securities Act and list the Common Shares on any securities exchange. In the absence thereof, Grantee understands that neither the Option nor the Common Shares issuable upon the exercise thereof will be registered under the Securities Act, or tradeable on any securities exchange, and Grantee represents that the Option is being acquired, and that such Common Shares that will be acquired pursuant to exercise of the Option, if any, will be acquired, by Grantee for investment and not with a view to distribution thereof. In the absence of an effective registration statement meeting the requirements of the Securities Act, upon any sale or transfer of the Common Shares issued pursuant to the Option, Grantee shall deliver to the Company an opinion of counsel satisfactory to the Company to the effect that the sale or transfer of the Common Shares does not violate any provision of the Securities Act or the Exchange Act. Grantee understands that the Company is under no obligation to register or qualify the Common Shares with the SEC, any state securities commission or any stock exchange to effect such compliance and that Grantee will have no recourse to or claim against the Company if the Company determines pursuant to this Section 7 that it is unable to deliver the Common Shares upon exercise of the Option. Regardless of whether the offering and sale of the Common Shares have been registered under the Securities Act, or have been registered or qualified under the securities laws of any state, the Company in its sole and absolute discretion for any reason or

no reason at any time and from time to time may impose restrictions upon the sale, pledge or other transfer of such Common Shares (including the placement of appropriate legends on certificates or the imposition of stop-transfer instructions on the certificates or book entries, as applicable) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the Exchange Act, the securities laws of any state or other jurisdiction or any other applicable laws, rules and regulations or any applicable stock exchange rules or regulations.

(al) Notice of Disposal of Common Shares; Withholding. To the extent the Option is an ISO, if Grantee shall dispose of any of the Common Shares of the Company acquired by Grantee pursuant to the exercise of such portion of the Option that is an ISO within two years from the Grant Date or within one year after the transfer of any such shares to Grantee upon exercise of such portion of the Option, then, in order to provide the Company with the opportunity to claim the benefit of any income tax deduction (if any) which may be available to it under the circumstances, Grantee shall promptly notify the Company of the dates of acquisition and disposition of such shares, the number of shares so disposed of, and the consideration, if any, received for such shares. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure: (i) notice to the Company of any disposition of the Common Shares of the Company within the time periods described above; and (ii) that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Grantee.

(am) Confidential Treatment of Option. Grantee agrees to treat with confidentiality the existence, terms and conditions of this Agreement and the Option except to the extent specifically disclosed by the Company pursuant to applicable law, and agrees that failure to do so may result in immediate termination of the Option.

(an) Obligations Unaffected. Except as expressly set forth to the contrary in Section 6 of this Agreement, the obligations of Grantee under this Agreement shall be independent of, and unaffected by, and shall not affect, other agreements, if any, binding Grantee which apply to Grantee's business activities during and/or subsequent to Grantee's employment by the Company or any of its direct or indirect subsidiaries or affiliates.

(ao) Survival. Any provision of this Agreement which logically would be expected to survive termination or expiration, shall survive for a reasonable time period under the circumstances, whether or not specifically provided in this Agreement. Except as set forth to the contrary in this Agreement (including, without limitation, Section 6 of this Agreement), the obligations under this Agreement also shall survive any changes made in the future to the employment terms and conditions of Grantee, including without limitation changes in salary, benefits, bonus plans, job or position title and job responsibilities.

(ap) Complete Agreement; No Waiver. This Agreement constitutes the entire, final and complete understanding between the parties hereto with respect to the subject matter of this Agreement, and, except as specifically set forth in this Agreement, supersedes and replaces all previous understandings or agreements, written, oral, or implied, with respect to the subject matter of this Agreement made or existing before the date of this Agreement. Except as expressly provided by this Agreement, no waiver or modification of any of the terms or conditions of this Agreement shall be effective unless in writing and signed by both parties. The failure of any party to insist upon strict performance of any provision of this Agreement shall not be construed as a waiver of any subsequent breach of the same or similar nature.

(aq) Severability. Each provision of this Agreement shall be construed as separable and divisible from every other provision, and the enforceability of any one provision shall not limit the enforceability, in whole or in part, of any other provision. Except as otherwise set forth in this Agreement, in the event that a court, arbitrator or other body of competent jurisdiction holds any provision of this Agreement to be invalid, illegal, void or less than fully enforceable as to time, scope or otherwise, the parties agree that such provision shall be construed by limiting and reducing it to the minimum extent necessary to render such provision valid, legal and enforceable while preserving to the greatest extent permissible the original intent of the parties; the remaining terms and conditions of this Agreement shall not be affected by such alteration and shall remain in full force and effect. Notwithstanding the foregoing, in the event that any one or more of the covenants set forth in Section 5 of this Agreement are found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of such covenants by Grantee; then the entire Option (both vested and unvested)

shall be deemed to have terminated and the Option (both vested and unvested) shall not be exercisable and no Common Shares shall be issuable in connection therewith as of the date of such finding.

(ar) Summary Information. In the event that the Company provides Grantee (or anyone acting on behalf of Grantee) with summary or other information concerning, including or otherwise relating to Grantee's rights or benefits under this Agreement (including without limitation the Option, and any vesting thereof), such summary or other information shall in all cases be qualified in its entirety by this Agreement and the Plan, and, unless it explicitly states otherwise and is signed by an officer of the Company, shall not constitute an amendment or other modification hereto.

(as) Grantee Acknowledgements

(i) Grantee understands, acknowledges, agrees and hereby stipulates that he or she is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else.

(ii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has carefully read, considered and understands all of the provisions of this Agreement, the Plan and the Company's policies reflected in this Agreement.

(iii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has asked any questions needed for him or her to understand the terms, consequences and binding effect of this Agreement and the Plan and Grantee fully understands them, including, without limitation, that he or she is waiving the right to a trial, a trial by jury, and common law claims for punitive and/or exemplary damages.

(iv) Grantee understands, acknowledges, agrees and hereby stipulates that he or she was provided an opportunity to seek the advice of an attorney and/or tax professional of his or her choice before accepting this Agreement.

(v) Grantee understands, acknowledges, agrees and hereby stipulates that the obligations and restrictions set forth in this Agreement are consistent with Grantee's right to sell his or her labor, the public's interest in unimpeded trade, are fair and reasonable, and are no broader than are reasonably required to protect the Company's interests.

(vi) Grantee understands, acknowledges, agrees and hereby stipulates that it is the Company's policy to seek legal recourse to the fullest extent possible for actual, threatened or attempted violation of, or challenges to the enforceability of, this Agreement. Grantee understands that nothing in this Agreement shall be construed to prohibit the Company from pursuing any other available remedies for such actual, threatened or attempted violation or challenges to enforceability, including, without limitation, the recovery of damages from Grantee. Grantee further agrees that, if he or she violates, threatens or attempts to violate, or challenges the enforceability of, this Agreement, it would be difficult to determine the damages and lost profits which the Company would suffer as a result thereof including, but not limited to, losses attributable to lost or misappropriated Confidential Information and Trade Secrets and losses stemming from violations of the non-disclosure, non-compete and/or non-solicitation obligations set forth above. Accordingly, Grantee agrees that if he or she violates, threatens or attempts to violate or challenges the enforceability of this Agreement, then the Company shall be entitled to an order for injunctive relief and/or for specific performance, or their equivalent, in addition to money damages and any other remedies otherwise available to it at law or equity. Such injunctive relief includes but is not limited to requirements that Grantee take action or refrain from taking action to avoid competing with the Company, to avoid soliciting the Company's employees or customers, to preserve the secrecy of Confidential Information and Trade Secrets, to not use Confidential Information and Trade Secrets, to avoid conflicts of interest and to protect the Company from irreparable harm. Grantee expressly agrees that the Company does not need to post a bond to obtain an injunction and Grantee waives the right to require such a bond.

(at) Notice. All notices to the Company shall be addressed to: EchoStar Corporation, 100 Inverness Terrace East, Englewood, Colorado, 80112, Attn: Corporate Secretary, or to such other address or person as the Company may notify Grantee from time to time. All notices to Grantee or other person or persons then entitled to exercise the Option shall be addressed to Grantee or such other

person(s) at Grantee's address on file with the Company, or to such other address as Grantee or such person(s) may notify the Company or its administrator for the Option in writing from time to time.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Upon Grantee's acceptance of the terms and conditions set forth in this Agreement through the electronic grant process available through the Administrator, this Agreement shall become effective between the parties as of the Grant Date.

ECHOSTAR CORPORATION

GRANTEE – [Participant Name]
Accepted on [Acceptance Date]

Exhibit A to Executive Officer Stock Option Agreement

Grant Date: _____

Number of Common Shares subject to the Option: _____

Option Price: \$ _____

Vesting Schedule: _____

Expiration Date: _____

**ECHOSTAR CORPORATION
EXECUTIVE OFFICER RESTRICTED STOCK UNIT AGREEMENT**

This Restricted Stock Unit Agreement (the “Agreement”) is entered into effective as of the Grant Date set forth on Exhibit A to this Agreement (the “Grant Date”), by and between EchoStar Corporation, a Nevada corporation (the “Company”), and [Participant Name] (“Grantee”).

RECITAL

WHEREAS, the Company, pursuant to its 2017 Stock Incentive Plan (as amended from time to time, the “Plan”) desires to grant restricted stock units to Grantee, and Grantee desires to accept such restricted stock units, each under the terms and conditions set forth in this Agreement; and

WHEREAS, the Units (as defined below) are intended to be consideration in exchange for the covenants herein contained and not in exchange for any right with respect to continuance of employment with or service to the Company or any of its direct or indirect subsidiaries.

AGREEMENT

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Restricted Stock Units

The Company hereby grants to Grantee, as of the Grant Date, the number of restricted stock units set forth on Exhibit A to this Agreement (hereinafter called the “Units”), each representing the right to receive one share of the Class A common stock of the Company, par value \$0.001 per share (the “Common Shares”), upon vesting of that Unit on the terms and conditions set forth in this Agreement.

Notwithstanding anything in the Plan to the contrary, this Agreement and the Units granted hereunder shall be null and void and of no further force and effect unless and until the Grantee shall have accepted and acknowledged this Agreement within thirty (30) days after the Grant Date by following the current procedures implemented by the Company’s administrator for the Plan (the “Administrator”), as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason from time to time.

2. Duration and Vesting

(a) [Option 1: Subject to the terms and conditions set forth in this Agreement and the Plan, and Grantee being an employee of the Company or its direct or indirect subsidiaries, if any, on each applicable vesting date, the Units shall vest in accordance with the vesting schedule set forth on Exhibit A to this Agreement.

No Common Shares shall be issued in exchange for any Unit until that Unit has vested and until Grantee has paid all applicable withholding taxes for such Unit.]

or

[Option 2: Subject to the terms and conditions set forth in this Agreement and the Plan, and Grantee being an employee of the Company or its direct or indirect subsidiaries, if any, on each of the applicable vesting dates set forth on Exhibit A to this Agreement, each corresponding increment of the Units shall not vest unless and until the Company shall have achieved the applicable [performance goal(s)], in each case as calculated in accordance with Exhibit A to this Agreement.

No Common Shares shall be issued in exchange for any Unit until that Unit has vested and until Grantee has paid all applicable withholding taxes for such Unit.]

Notwithstanding the foregoing or anything set forth on Exhibit A to this Agreement, vesting of the Units shall immediately cease or accelerate, as applicable, upon the occurrence of any of the events provided for in Sections 3(a)-(d), as applicable.

(b) Except as permitted pursuant to the Plan, (i) during the lifetime of Grantee, the Common Shares issuable upon vesting of the Units shall be issued only to Grantee or, if permissible under applicable law, by Grantee's guardian or legal representative, (ii) the Units shall not be assignable or transferable by Grantee, other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Service Code of 1986, as amended, and regulations thereunder (the "Code"), Title I of the Employee Retirement Income Security Act, or the rules promulgated thereunder, and (iii) the Units may not be sold, assigned, transferred or otherwise disposed of, or pledged, alienated, attached, hypothecated, or otherwise encumbered in any manner (whether by operation of law or otherwise), and will not be subject to execution, attachment or other process. Any purported sale, assignment, transfer, pledge, alienation, attachment or encumbrance in violation of the terms of this Agreement or the Plan shall be void and unenforceable against the Company or any of its subsidiaries. Any sale, assignment, transfer, pledge, hypothecation or other disposition of the Units or any attempt to make any such levy of execution, attachment or other encumbrance will cause the Units to terminate immediately, unless the Board of Directors of the Company or the Committee (as defined in the Plan), in their sole and absolute discretion for any reason or no reason at any time and from time to time, specifically waives applicability of this provision.

(c) Notwithstanding any other provisions in this Agreement or the Plan, the Units shall expire and terminate on, and no Common Shares shall be issued in exchange for any Units on or after the expiration date set forth on Exhibit A to this Agreement (the "Expiration Date").

(d) The Company assumes no responsibility for individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment or adjustment of any Unit, or the issuance of Common Shares in exchange for any Unit or the subsequent disposition of any Common Shares issued in exchange for any Unit. **Grantee should consult with Grantee's personal tax advisor regarding the tax ramifications, if any, which result from the grant, vesting, forfeiture, termination, recoupment or adjustment of any Unit or the issuance of Common Shares in exchange for any Unit or any subsequent disposition of any such Common Shares.** If, in the Company's sole and absolute discretion for any reason or no reason at any time and from time to time, it is necessary or appropriate to collect or withhold federal, state or local taxes in connection with the grant, vesting, forfeiture, termination, recoupment or adjustment of any portion of the Units or the issuance of Common Shares in exchange for any Unit or any subsequent disposition of Common Shares, the Company shall be entitled to require the payment of such amounts as a condition to vesting. Prior to any relevant taxable or tax withholding event, as applicable, Grantee shall pay or make arrangements satisfactory to the Company to satisfy all withholding obligations. In furtherance and without limiting the generality of the foregoing, Grantee (on its own behalf and on behalf of each and every other proper party as described in Section 2(b) and/or Section 3(c) of this Agreement) hereby authorizes the Company, in its sole and absolute discretion for any reason or no reason at any time and from time to time (including without limitation, pursuant to the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time), to satisfy all withholding and all other obligations with regard to any individual income taxes, penalties or interest related to the grant, vesting, forfeiture, termination, recoupment or adjustment of any Unit or the issuance of Common Shares in exchange for any Unit or any subsequent disposition of Common Shares by one or a combination of the following:

- (i) withholding from any wages or other cash or equity compensation payable to Grantee by the Company;
- (ii) withholding Common Shares that are otherwise issuable upon vesting of the Units;
- (iii) arranging for the sale of Common Shares that are otherwise issuable upon vesting of the Units, including, without limitation, selling Common Shares as part of a block trade with other grantees under the Plan or otherwise; and/or
- (iv) withholding from the proceeds of the sale of Common Shares issued upon vesting of the Units or other Common Shares issuable to the Grantee.

(e) In considering the acceptance of the Units, Grantee understands, acknowledges, agrees and hereby stipulates that he or she has used the same independent investment judgment that Grantee would use in making other investments in corporate securities. Among other things, stock prices will fluctuate over any reasonable period of time and the price of the Common Shares may go down as well as

up. No guarantees are made as to the future prospects of the Company or the Common Shares, or that any market for sale of the Common Shares will exist in the future. No representations are made by the Company except as may be contained in any active registration statement on file with the United States Securities and Exchange Commission (“SEC”) relating to the Plan at the time of the applicable issuance of the Units and/or issuance of Common Shares in exchange for any Unit.

3. Effect of Termination of Employment; Violation of Covenants; Covenants Found Unenforceable; Death or Disability; Demotion; Termination After Change in Control

(a) In the event that Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, for any reason other than as a result of or in connection with Grantee’s serious misconduct or violation of the covenants set forth in Section 5 of this Agreement or other circumstances as described in Section 3(b) of this Agreement or Grantee’s death or disability (as described in Section 3(c) of this Agreement), and Grantee shall have at such time vested Units for which Common Shares have not yet been issued, Grantee shall have the right to have such Common Shares issued in exchange for such vested Units on the date of such cessation of employment, **but only** to the extent of the full number of Common Shares issuable in exchange for such vested Units on the date of such cessation of employment, subject to the conditions that (i) any portion of the Units not vested as of the date of such cessation of employment shall be deemed to have terminated as of such date, (ii) no Common Shares shall be issued in exchange for any unvested Units as of or following the date of such cessation of employment, and (iii) no portion of the Units (whether vested or unvested) shall vest after the Expiration Date. The termination of the Units by reason of this Section 3(a) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Units or any Common Shares issued or issuable in exchange for the Units.

(b) In the event that (i) Grantee shall cease to be employed by the Company and/or its direct or indirect subsidiaries, if any, by reason of Grantee’s serious misconduct during the course of employment, including without limitation wrongful appropriation of the Company’s or its subsidiaries’ funds, theft of the Company’s or its subsidiaries’ property or other reasons as determined by the Company, (ii) Grantee violates any one or more of the covenants set forth in Section 5 of this Agreement as determined by the Company, or (iii) any one or more of the covenants set forth in Section 5 of this Agreement is found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee, then all of the Units (both vested and unvested) shall be deemed to have terminated and no Common Shares shall be issuable in connection therewith, as of the date of the earliest to occur of: (A) the serious misconduct or cessation of employment, in all cases as the Company may select and as determined by the Company; (B) any violation of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (C) any finding of unenforceability against the Grantee of any one or more of the covenants set forth in Section 5 of this Agreement to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened or attempted violation of any such covenants by Grantee. The termination of the Units by reason of this Section 3(b) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Units or any Common Shares issued or issuable in exchange for the Units. For clarification purposes, with respect to interpreting any and all violation(s) (or other logical formulation thereof such as “violates”) of the covenants set forth in this Agreement (including without limitation, the covenants in Section 5 of this Agreement), such violation(s) shall include, but is not limited to, any actual, threatened or attempted violation of any such covenants by the Grantee that may result in, among other things, the Company or any of its direct or indirect subsidiaries having to seek a temporary restraining order, preliminary injunction, or other similar relief against the Grantee to attempt to prevent any such actual, threatened or attempted violation.

(c) In the event that Grantee shall die while in the employ of the Company or its direct or indirect subsidiaries, if any, or within one month after cessation of employment for reasons provided in Section 3(a) of this Agreement, or if Grantee’s employment with the Company and/or its direct or indirect subsidiaries, if any, is terminated because Grantee has become disabled (within the meaning of Section 22(e)(3) of the Code and regulations thereunder) while in the employ of the Company or its direct or indirect subsidiaries, if any, and Grantee shall have vested Units for which Common Shares have not yet been issued as of the date of such death or termination on account of disability, as applicable, then such Common Shares shall be issued to the personal representatives or administrators, executor or guardians of Grantee, as applicable, or to any person or persons to whom the Units are transferred by will or the applicable laws of descent and distribution, **but only** to the extent of the full number of Common Shares issuable in exchange for such vested Units on the date of such death or termination on account of

disability, as applicable, subject to the conditions that (i) any portion of the Units not vested on the date of such death or termination on account of disability shall be deemed to have terminated as of the date of such death or termination on account of disability, (ii) no Common Shares shall be issued in exchange for any unvested Units as of or following the date of such death or termination on account of disability, and (iii) no portion of the Units (whether vested or unvested) shall vest after the Expiration Date. The termination of the Units by reason of this Section 3(c) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Units or any Common Shares issued or issuable in exchange for the Units.

(d) In the event that Grantee is demoted (but remains employed) by the Company or its direct and indirect subsidiaries, if any, from Grantee's current level (e.g., chairman, chief executive officer, president, executive vice president, senior vice president, vice president, director, manager, or other level held by Grantee on the date of this Agreement), if Grantee shall have vested Units for which Common Shares have not yet been issued as of the date of such demotion, then Grantee shall have the right to have such Common Shares issued in exchange for such vested Units, **but only** to the extent of the full number of Common Shares issuable in exchange for such vested Units on the date of such demotion (the "Remaining Vested Units Following Demotion"), subject to the conditions that (i) any portion of the Units not vested as of the date of such demotion shall be deemed to have terminated as of the date of such demotion, (ii) no Common Shares shall be issued in exchange for any unvested Units as of or following the date of such demotion, and (iii) no portion of the Units (whether vested or unvested) shall vest after the Expiration Date. The termination of the Units by reason of this Section 3(d) shall be without prejudice to any right or remedy which the Company may have against the Grantee or other holder of the Units or any Common Shares issued or issuable in exchange for the Units.

(e) In the event that (i) a Change in Control occurs, and (ii) Grantee is terminated by the Company and/or its direct and indirect subsidiaries (and not simultaneously employed by the surviving entity or its direct or indirect subsidiaries-- if not the Company -- in connection with, as a result of, upon or after the Change in Control), for any reason other than for Cause, during the twenty-four (24) month period following such Change in Control, then all Units not previously vested shall immediately vest on the date of such termination and Common Shares shall be issued in exchange for all such vesting Units on such date, subject to the conditions that no portion of the Units (whether vested or unvested) shall vest after the Expiration Date.

For the purpose of this subsection 3(e), the capitalized terms shall have the following meanings: "Capital Stock" means: any and all shares, interests, participations, rights or other equivalents, however designated, of corporate stock or partnership or membership interests, whether common or preferred. "Cause" means: (i) the willful and continued failure of Grantee to substantially perform his or her duties consistent with past practices prior to the Change in Control; (ii) any illegal conduct or gross misconduct which is materially injurious to the Company or its affiliates; (iii) Grantee has been convicted of or pleaded guilty or nolo contendere to a felony or any crime involving moral turpitude or dishonesty; or (iv) Grantee has been convicted of or pleaded guilty or nolo contendere to a felony, crime or engaged in conduct which results in a prohibition on the Grantee from serving, for any period of time, as an officer or director of a publicly-traded company by any federal, state or other regulatory governing body (including without limitation, an exchange or association such as NYSE or Nasdaq). "Change in Control" means: a transaction or a series of transactions the result of which is that any person (other than the Principal or a Related Party) individually owns more than fifty percent (50%) of the total voting power of the voting Equity Interests of either (A) the Company or (B) the surviving entity in any such transaction(s) or a controlling affiliate of such surviving entity in such transaction(s). "Equity Interest" means any Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock). "Principal" means Charles W. Ergen. "Related Party" means: with respect to the Principal, (a) the spouse and each immediate family member of the Principal; (b) each trust, corporation, partnership or other entity of which the Principal and/or the Principal's spouse and/or immediate family members beneficially holds an eighty percent (80%) or more controlling interest; and (c) all trusts, including grantor retained annuity trusts, established by the Principal for the benefit of his family.

(f) Notwithstanding any other provision in this Agreement or the Plan or any termination or expiration of any Units, the covenants set forth in Section 5 of this Agreement shall continue in force in accordance with their terms unless otherwise terminated by the Company.

4. Manner of Issuance of Common Shares

(a) The Units, and the Common Shares issuable upon vesting of the Units, shall be issued only to Grantee or other proper party as described in Section 2(b), Section 3(c) and/or Section 4(c) of this Agreement, in whole Common Shares upon meeting the applicable vesting requirements for the Units represented by this Agreement and by following, prior to the earlier of any forfeiture or termination or the Expiration Date, the then-current procedures implemented by the Administrator, as such Administrator and procedures are designated by the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time.

(b) Unless notified by the Company or the Administrator to the contrary, the Common Shares issuable upon the vesting of the Units shall be deemed issued on the date specified by the Company within five (5) business days following the date that the Company determines that all requirements for issuance of the Common Shares have been properly completed, including, without limitation, payment of all applicable withholding taxes. The Company shall have no obligation to issue the Common Shares upon the vesting of the Units until it has confirmed to its satisfaction that all requirements for vesting of the Units and issuance of the Common Shares have been accomplished.

(c) Unless the Company waives applicability of this provision, the certificate or certificates for the Common Shares, if any, which are issued pursuant to the vesting of the Units or the book-entries, as applicable, may be registered only in the name of Grantee (or if Grantee so requests, jointly in the name of Grantee and with a member of Grantee's family, with the right of survivorship, or in the event of the death of Grantee, in the name of such survivor of Grantee as the person with the right to receive the Common Shares issuable upon the vesting of the Units shall designate).

5. [Intentionally omitted]; Protection of Confidential Information and Trade Secrets

(a) Grantee shall serve the Company and its direct and indirect subsidiaries (collectively, the "Company" for purposes of this Section 5), loyally and in good faith and use Grantee's best efforts to promote the Company's interests. Grantee hereby [intentionally omitted], and agrees to protect from disclosure (for clarification purposes, such agreement to protect from disclosure shall include, without limitation, an agreement not to use) Confidential Information and Trade Secrets (as defined in Section 5(e) of this Agreement) [intentionally omitted].

(b) [Intentionally omitted].

(c) [Intentionally omitted].

(d) [Intentionally omitted].

(e) Non-Disclosure and Non-Use of Confidential Information and Trade Secrets. Grantee further agrees to hold in a fiduciary capacity for the benefit of the Company any and all proprietary and confidential information, knowledge, ideas and data, including, without limitation, customer lists and the Company's trade secrets, products, processes and programs ("Confidential Information and Trade Secrets"), relating in any way to the present or future business or activities of the Company for as long as such Confidential Information and Trade Secrets remain confidential (for clarification purposes, this restriction shall include, but not be limited to, the obligation of and agreement by Grantee not to (i) disclose to, or use to or for the benefit of, any person or entity other than the Company any Confidential Information and Trade Secrets, and/or (ii) take a position where Grantee may use and/or disclose any Confidential Information and Trade Secrets). Such Confidential Information and Trade Secrets include but are not limited to: (i) the Company's financial and business information, such as capital structure, operating results, strategies and plans for future business, pending projects and proposals and potential acquisitions or divestitures; (ii) product and technical information, such as product formulations, new and innovative product ideas, proprietary credit scoring models and approaches, credit policies, new business developments, plans, designs, compilation methods, processes, procedures, program devices, data processing programs, software, software codes, hardware, firmware and research and development products; (iii) marketing information, such as new marketing ideas, mailing lists, the identity and number of the Company's customers and prospects, their names and addresses and sales and marketing plans; (iv) information about the Company's third-party agreements and any confidential or protected information disclosed to the Company by a third-party; (v) the Company's suppliers, partners, customers and prospect lists; and (vi) personnel information, such as the identity and number of the Company's other employees, their salaries, bonuses, benefits, skills, qualifications and abilities. For the avoidance of doubt and

notwithstanding the foregoing, the term “trade secrets” shall mean items of Confidential Information and Trade Secrets that meet the requirements of the Uniform Trade Secrets Act, as adopted in the state of Maryland and as amended from time to time or under the Defend Trade Secrets Act, 18 U.S.C. §1833, et seq. Under the federal Defend Trade Secrets Act of 2016, Grantee shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (x) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (y) is made to Grantee’s attorney in relation to a lawsuit for retaliation against Grantee for reporting a suspected violation of law; or (z) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing in this Agreement prohibits or restricts Grantee (or Grantee’s attorney) from initiating communications directly with, responding to an inquiry from, or providing testimony before the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization, or any other federal or state regulatory authority regarding a possible securities law violation. All Confidential Information and Trade Secrets, together with all copies thereof and notes and other references thereto, shall remain the sole property of the Company. To the extent that Grantee possesses any Confidential Information and Trade Secrets or equipment belonging to the Company, Grantee agrees to deliver to the Company, immediately upon termination of employment and at any time and from time to time as the Company requests: (i) any and all documents, files, notes, memoranda, databases, computer files, and/or other computer programs reflecting any Confidential Information and Trade Secrets; and (ii) any and all computer equipment, home office equipment, automobile, or other business equipment belonging to the Company that Grantee may then possess or have under his or her control. For any equipment or devices owned by Grantee on which proprietary information of the Company is stored or accessible, Grantee shall, immediately upon or prior to termination of employment, deliver such equipment or devices to the Company so that any proprietary information may be deleted or removed. Grantee expressly authorizes the Company’s designated representatives to access such equipment or devices for this limited purpose and shall provide any passwords and/or passcodes necessary to accomplish this task. Grantee acknowledges that all Confidential Information and Trade Secrets is essential to the Company’s present and future business and activities, and is therefore deemed trade secrets and is considered proprietary to, and treated as confidential by, the Company. This obligation of confidentiality is intended to supplement, and is not intended to supersede or limit, the obligations of confidentiality Grantee has to the Company by agreement, law or otherwise.

(f) Remedies. Grantee understands, acknowledges, agrees and hereby stipulates that any and all actual, threatened or attempted violations of any and all covenants in this Agreement (including, without limitation, covenants in this Section 5), challenges of or to the enforceability of any such covenants and/or findings of unenforceability of any such covenants against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from a threatened or attempted violation of any such covenants by Grantee, may cause the Company irreparable harm, which may not be compensated for by monetary damages alone.

(g) Tolling. Grantee further agrees that, while the duration of the covenants contained in this Section 5 will be determined generally in accordance with the terms of each respective covenant, if Grantee violates or threatens to violate any of those covenants, or it is necessary for the Company to seek to enforce any of those covenants, Grantee agrees to an extension of the duration of such covenant on the same terms and conditions for an additional period of time equal to the time that elapses from the commencement of such violation or threat of violation to the later: of (i) the termination of such violation or threat of violation; or (ii) the final non-appealable resolution of any litigation or other legal proceeding stemming from such violation or threatened or attempted violation.

(h) No Waiver. In addition to (and without limitation of) the other terms and conditions of this Agreement, the failure of the Company to insist upon strict performance of any provision of any agreement between the Company, on the one hand, and another grantee, employee, person or entity, on the other hand, shall not be construed as a waiver of the Company’s right to insist upon strict performance of each and every representation, warranty, covenant, duty and obligation of Grantee hereunder. In addition to (and without limitation of) the foregoing, the election of certain remedies by the Company with respect to the breach or default by another grantee, employee, person or entity of any agreement between the Company, on the one hand, and such other grantee, employee, person or entity, on the other hand, shall not be deemed to prejudice any rights or remedies that the Company may have at law, in equity, under contract (including without limitation this Agreement) or otherwise with respect to a similar or different breach or default hereunder by Grantee (all of which are hereby expressly reserved).

(i) Recoupment. Notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Units (whether vested or unvested) shall be subject to deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or "clawback" as may be required to be made pursuant to the provisions of any applicable law, government regulation or stock exchange listing requirement as well as any policies of the Company that may be in effect from time to time pursuant to any law, government regulation or stock exchange listing requirement. In addition, notwithstanding anything in this Agreement or the Plan to the contrary, Grantee's rights, payments and benefits with respect to the Units (whether vested or unvested) shall be subject to deduction, reduction, cancellation, recovery, recoupment, forfeiture and/or "clawback" if: (i) Grantee ceases or has ceased to be employed by the Company or its direct or indirect subsidiaries, if any, by reason of Grantee's serious misconduct during the course of employment, including, without limitation, wrongful appropriation of the Company's funds or theft of Company property; (ii) Grantee violates or has violated any of the covenants set forth in Section 5 of this Agreement as determined by the Company; or (iii) any of the covenants set forth in Section 5 of this Agreement are or were found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of any such covenants by Grantee.

6. Dispute Resolution

(a) Grantee and the Company mutually agree that any claim, controversy and/or dispute between them, arising out of, relating to, or in connection with: (i) Grantee's application for employment, employment and/or termination of employment, including without limitation claims for wages and other compensation, breach of contract, misappropriation of trade secrets or unfair competition, violation of public policy, wrongful termination, tort claims, claims for unlawful retaliation, discrimination and/or harassment; and claims for violation of any federal, state, or other government law, statute, regulation, or ordinance, such as, for example, claims under the Age Discrimination in Employment Act (as amended), the Americans with Disabilities Act (as amended); Title VII of the Civil Rights Act of 1964 (as amended); the Equal Pay Act (as amended); the Fair Credit Reporting Act (as amended); the Fair Labor Standards Act (as amended); the Family and Medical Leave Act (as amended); the Pregnancy Discrimination Act (as amended); the Rehabilitation Act (as amended); Section 1981 through 1988 of Title 42 of the United States Code (as amended); and the Worker Adjustment and Retraining Notification Act (as amended); and/or (ii) this Agreement (including, without limitation, an actual, threatened or attempted violation of any of the covenants set forth in Section 5 of this Agreement) ("Units Disputes") ((i) or (ii) each, a "Claim" and (i) and (ii) collectively, "Claims"), whenever and wherever brought shall be exclusively governed by and construed in accordance with the laws of the State of Maryland applicable to contracts to be made and performed entirely within the State of Maryland by residents of the State of Maryland, without giving any effect to its conflict of law provisions, and Grantee and the Company consent to and submit to the in personam jurisdiction of the appropriate State Court located in Montgomery County, State of Maryland and the United States District Court for the District of Maryland for the purposes set forth in this section, and WAIVE, FULLY AND COMPLETELY, ANY OBJECTION TO VENUE AND RIGHT TO DISMISS AND/OR TRANSFER ANY ACTION PURSUANT TO TITLE 28 U.S.C. SECTION 1404 OR 1406 (OR ANY SUCCESSOR STATUTE).

(b) The parties agree that each party to any court proceeding contemplated by this Section 6 shall be responsible for its own attorneys' fees and costs; provided, however, that unless otherwise required by applicable law or this Agreement, the prevailing party in any court proceeding contemplated by this Section 6 shall be entitled to reimbursement of its, his or her reasonable attorneys' fees, costs, and expenses.

(c) To the maximum extent allowed by applicable law, (i) Grantee and the Company agree to bring any Claim on an individual basis only, and not as a class, multi-plaintiff, representative, or collective action, (ii) Grantee and the Company waive any right for a Claim to be brought, heard, or decided as a class, multi-plaintiff, representative, or collective action ("Class Action Waiver"). This Class Action Waiver, however, does not prevent Grantee from joining, opting into or participating in a pending class or collective action to which Grantee is a current or purported class member as of the Grant Date. To the maximum extent allowed by applicable law, Grantee and the Company waive ("Representative Action Waive") any right for a Claim to be brought, heard or decided as a Private Attorney General Representative Action on behalf of other grantees ("Representative Action"). The Representative Action Waiver, however, does not apply to a Claim that Grantee brings as a private attorney general solely on his/her own behalf.

(d) In addition, each of Grantee and the Company shall have the right to seek temporary restraining orders, preliminary and/or permanent injunctions or other like emergency relief from a court where such relief is required to permit the dispute to proceed without such party incurring irreparable harm that may not be remedied monetarily, for example, to prevent violation of: (i) non-competition agreements or obligations; (ii) non-solicitation agreements or obligations; (iii) intellectual property rights, including, but not limited to, copyrights, patent rights, trade secrets and/or proprietary business know-how; or (iv) confidential information obligations.

(e) For the avoidance of doubt and notwithstanding the foregoing, this Section 6 does not supersede or render void any prior agreement(s) to arbitrate between the Company and/or any of its direct and indirect subsidiaries, on the one hand, and Grantee, on the other hand with respect to any and all stock options, restricted stock units or other equity awards other than the Units Disputes for the specific Units granted under this Agreement.

(f) Other than potential rights to a trial, a jury trial, and common law claims for punitive and/or exemplary damages, nothing in this Agreement limits any statutory remedy to which Grantee or the Company may be entitled under law. The parties acknowledge that this Agreement shall not alter the at-will nature of their employment relationship MEANING THAT GRANTEE MAY TERMINATE GRANTEE'S EMPLOYMENT WITH THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES AT ANY TIME WITH OR WITHOUT CAUSE, AND WITH OR WITHOUT NOTICE, AND THE COMPANY AND/OR ANY OF ITS DIRECT AND INDIRECT SUBSIDIARIES RESERVE THE SAME RIGHTS TO TERMINATE GRANTEE'S EMPLOYMENT AND/OR DEMOTE GRANTEE.

(g) For purposes of this Section 6, the Company shall be defined to include EchoStar Corporation, its predecessors, direct and indirect subsidiaries and affiliates (except DISH Network Corporation and its direct and indirect subsidiaries, which are not parties to this agreement to arbitrate), its and their officers, directors, shareholders, members, owners, employees, managers, agents, and attorneys, and all successors and assigns of each of the foregoing persons and entities.

7. Miscellaneous

(a) Units Subject to the Plan. The Units are issued pursuant to the Plan and are subject to its terms and conditions. The terms and conditions of the Plan are available for inspection during normal business hours at the principal offices of the Company. The Committee has final authority to decide, interpret, determine and calculate any and all aspects of the Plan in its sole and absolute discretion for any reason or no reason at any time and from time to time.

(b) No Right to Continued Employment; No Rights as Shareholder. This Agreement shall not confer upon Grantee any right with respect to continuance of employment with the Company or any of its direct or indirect subsidiaries, nor shall it interfere in any way with the right of the Company and its direct and indirect subsidiaries to terminate such employment or to demote or remove Grantee for any reason or no reason at any time and from time to time. The holder of the Units will not have any right to dividends or any other rights of a shareholder with respect to Common Shares issuable in exchange for and upon vesting of the Units unless and until such Common Shares shall have been issued to Grantee upon vesting of the Units in accordance with this Agreement and the Plan (as evidenced by the records of the transfer agent of the Company).

(c) Changes in Capital Structure. If there shall be any change in the Common Shares of the Company through merger, consolidation, reorganization, recapitalization, dividend in the form of stock (of whatever amount), stock split or other change in the corporate structure of the Company, then appropriate adjustments may be made by the Company, as determined in the sole and absolute discretion of the Committee for any reason or no reason at any time and from time to time, to all or any portion of the Units that have not yet vested or been exchanged for Common Shares or have not been terminated or expired, in order to prevent dilution or enlargement of Grantee's rights under the Units. Such adjustments may include, where appropriate, changes in the number of shares of Common Shares subject to the outstanding Units. Notwithstanding the foregoing, no action that would modify the treatment of the Units under the Code shall be effective unless agreed to in writing by both parties.

(d) Assigns and Successors. This Agreement shall inure to the benefit of the Company's assigns and successors and its and their direct and indirect subsidiaries.

(e) Compliance with Law; Legal Requirements. The Company shall at all times during the term of the Units reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Agreement. The vesting of the Units and the issuance of any Common Shares in exchange for the Units shall only be effective at such time that the issuance and sale of Common Shares pursuant to such vesting will not violate any federal or state securities or other laws. The Company may suspend Grantee's or any holder's of the Units right to vesting of the Units and the issuance of any Common Shares in exchange for the Units and shall not issue or deliver the Common Shares in exchange for the Units unless it is satisfied in its judgment that the issuance and sale of Common Shares will not violate any of the provisions of the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any rules or regulations of the SEC promulgated thereunder, or the requirements of applicable state law relating to authorization, issuance or sale of securities, other applicable laws, rules and regulations or any applicable stock exchange, or any other applicable laws, rules or regulations, or until there has been compliance with the provisions of such acts, laws and rules. If the Company in its sole and absolute discretion so elects, it may register the Common Shares issuable upon the vesting of the Units under the Securities Act and list the Common Shares on any securities exchange. In the absence thereof, Grantee understands that neither the Units nor the Common Shares issuable upon the vesting thereof will be registered under the Securities Act, or tradeable on any securities exchange, and Grantee represents that the Units are being acquired, and that such Common Shares that will be acquired pursuant to the Units, if any, will be acquired, by Grantee for investment and not with a view to distribution thereof. In the absence of an effective registration statement meeting the requirements of the Securities Act, upon any sale or transfer of the Common Shares issued pursuant to the Units, Grantee shall deliver to the Company an opinion of counsel satisfactory to the Company to the effect that the sale or transfer of the Common Shares does not violate any provision of the Securities Act or the Exchange Act. Grantee understands that the Company is under no obligation to register or qualify the Common Shares with the SEC, any state securities commission or any stock exchange to effect such compliance and that Grantee will have no recourse to or claim against the Company if the Company determines pursuant to this Section 7 that it is unable to deliver the Common Shares upon vesting of the Units. Regardless of whether the offering and sale of the Common Shares have been registered under the Securities Act, or have been registered or qualified under the securities laws of any state, the Company in its sole and absolute discretion for any reason or no reason at any time and from time to time may impose restrictions upon the sale, pledge or other transfer of such Common Shares (including the placement of appropriate legends on certificates or the imposition of stop-transfer instructions on the certificates or book entries, as applicable) if, in the judgment of the Company, such restrictions are necessary or desirable in order to achieve compliance with the Securities Act, the Exchange Act, the securities laws of any state or other jurisdiction or any other applicable laws, rules and regulations or any applicable stock exchange rules or regulations.

(f) Confidential Treatment of Units. Grantee agrees to treat with confidentiality the existence, terms and conditions of this Agreement and the Units except to the extent specifically disclosed by the Company pursuant to applicable law, and agrees that failure to do so may result in immediate termination of the Units.

(g) Obligations Unaffected. Except as expressly set forth to the contrary in Section 6 of this Agreement, the obligations of Grantee under this Agreement shall be independent of, and unaffected by, and shall not affect, other agreements, if any, binding Grantee which apply to Grantee's business activities during and/or subsequent to Grantee's employment by the Company or any of its direct or indirect subsidiaries or affiliates.

(h) Survival. Any provision of this Agreement which logically would be expected to survive termination or expiration, shall survive for a reasonable time period under the circumstances, whether or not specifically provided in this Agreement. Except as set forth to the contrary in this Agreement (including, without limitation, Section 6 of this Agreement), the obligations under this Agreement also shall survive any changes made in the future to the employment terms and conditions of Grantee, including without limitation changes in salary, benefits, bonus plans, job or position title and job responsibilities.

(i) Complete Agreement; No Waiver. This Agreement constitutes the entire, final and complete understanding between the parties hereto with respect to the subject matter of this Agreement, and, except as specifically set forth in this Agreement, supersedes and replaces all previous understandings or agreements, written, oral, or implied, with respect to the subject matter of this Agreement made or existing before the date of this Agreement. Except as expressly provided by this Agreement, no waiver or modification of any of the terms or conditions of this Agreement shall be

effective unless in writing and signed by both parties. The failure of any party to insist upon strict performance of any provision of this Agreement shall not be construed as a waiver of any subsequent breach of the same or similar nature.

(j) Severability. Each provision of this Agreement shall be construed as separable and divisible from every other provision and the enforceability of any one provision shall not limit the enforceability, in whole or in part, of any other provision. Except as otherwise set forth in this Agreement, in the event that a court, arbitrator or other body of competent jurisdiction holds any provision of this Agreement to be invalid, illegal, void or less than fully enforceable as to time, scope or otherwise, the parties agree that such provision shall be construed by limiting and reducing it to the minimum extent necessary to render such provision valid, legal and enforceable while preserving to the greatest extent permissible the original intent of the parties; the remaining terms and conditions of this Agreement shall not be affected by such alteration, and shall remain in full force and effect. Notwithstanding the foregoing, in the event that any one or more of the covenants set forth in Section 5 of this Agreement are found to be unenforceable against the Grantee to any extent by the final non-appealable resolution of any litigation or other legal proceeding stemming from an actual, threatened, or attempted violation of such covenants by Grantee, then all of the Units (both vested and unvested) shall be deemed to have terminated and no Common Shares shall be issuable in connection therewith as of the date of such finding.

(k) Summary Information. In the event that the Company provides Grantee (or anyone acting on behalf of Grantee) with summary or other information concerning, including, or otherwise relating to Grantee's rights or benefits under this Agreement (including without limitation the Units, and any vesting thereof), such summary or other information shall in all cases be qualified in its entirety by this Agreement and the Plan, and, unless it explicitly states otherwise and is signed by an officer of the Company, shall not constitute an amendment or other modification hereto.

(l) Grantee Acknowledgements.

- (i) Grantee understands, acknowledges, agrees and hereby stipulates that he or she is executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else.
- (ii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has carefully read, considered and understands all of the provisions of this Agreement, the Plan and the Company's policies reflected in this Agreement.
- (iii) Grantee understands, acknowledges, agrees and hereby stipulates that he or she has asked any questions needed for him or her to understand the terms, consequences and binding effect of this Agreement and the Plan and Grantee fully understands them, including, without limitation, that he or she is waiving the right to a trial, a trial by jury, and common law claims for punitive and/or exemplary damages.
- (iv) Grantee understands, acknowledges, agrees and hereby stipulates that he or she was provided an opportunity to seek the advice of an attorney and/or tax professional of his or her choice before accepting this Agreement.
- (v) Grantee understands, acknowledges, agrees and hereby stipulates that the obligations and restrictions set forth in this Agreement are consistent with Grantee's right to sell his or her labor, the public's interest in unimpeded trade, are fair and reasonable, and are no broader than are reasonably required to protect the Company's interests.
- (vi) Grantee understands, acknowledges, agrees and hereby stipulates that it is the Company's policy to seek legal recourse to the fullest extent possible for actual, threatened or attempted violation of, or challenges to the enforceability of, this Agreement. Grantee understands that nothing in this Agreement shall be construed to prohibit the Company from pursuing any other available remedies for such actual, threatened or attempted violation or challenges to enforceability, including, without limitation, the recovery of damages from Grantee. Grantee further agrees that, if he or she violates, threatens or attempts to violate or

challenges the enforceability of this Agreement it would be difficult to determine the damages and lost profits which the Company would suffer as a result thereof including, but not limited to, losses attributable to lost or misappropriated Confidential Information and Trade Secrets and losses stemming from violations of the non-disclosure, non-compete and/or non-solicitation obligations set forth above. Accordingly, Grantee agrees that if he or she violates, threatens or attempts to violate or challenges the enforceability of this Agreement, then the Company shall be entitled to an order for injunctive relief and/or for specific performance, or their equivalent, in addition to money damages and any other remedies otherwise available to it at law or equity. Such injunctive relief includes but is not limited to requirements that Grantee take action or refrain from taking action to avoid competing with the Company, to avoid soliciting the Company's employees or customers, to preserve the secrecy of Confidential Information and Trade Secrets, to not use Confidential Information and Trade Secrets, to avoid conflicts of interest and to protect the Company from irreparable harm. Grantee expressly agrees that the Company does not need to post a bond to obtain an injunction and Grantee waives the right to require such a bond.

(a) Notice. All notices to the Company shall be addressed to: EchoStar Corporation, 100 Inverness Terrace East, Englewood, Colorado, 80112, Attn: Corporate Secretary, or to such other address or person as the Company may notify Grantee from time to time. All notices to Grantee or other person or persons then entitled to the Units and/or the Common Shares relating to the Units shall be addressed to Grantee or such other person(s) at Grantee's address on file with the Company, or to such other address as Grantee or such person(s) may notify the Company or its administrator for the Units in writing from time to time.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

Upon Grantee's acceptance of the terms and conditions set forth in this Agreement through the electronic grant process available through the Administrator, this Agreement shall become effective between the parties as of the Grant Date.

ECHOSTAR CORPORATION

GRANTEE – [Participant Name]
Accepted on [Acceptance Date]

Exhibit A to Executive Officer Restricted Stock Unit Agreement

Grant Date: _____

Number of Units: _____

[Option 1 only: Vesting Schedule][Option 2 only: Performance-Vesting Criteria]: _____

Expiration Date: _____

**AMENDMENT NO. 1 TO
ECHOSTAR CORPORATION
2017 AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN**

This Amendment No. 1 (this "Amendment"), dated as of October 20, 2022 (the "Effective Date") hereby amends that certain EchoStar Corporation 2017 Amended and Restated Employee Stock Purchase Plan (the "Plan"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Plan.

WHEREAS, the Company maintains the Plan, pursuant to which eligible employees may purchase shares of EchoStar Corporation Class A common stock ("Shares") at a discount price;

WHEREAS, as currently drafted, the Plan does not require participants to retain Shares purchased pursuant to the Plan for any specified period of time following the date upon which they are purchased;

WHEREAS, pursuant to Section 25 of the Plan, the Board has the authority to amend the Plan at any time, so long as such amendment does not affect Shares already purchased under the Plan; and

WHEREAS, the Board has determined that it is advisable and in the best interests of the Company and its stockholders to amend the Plan such that any Shares purchased on the Purchase Date of any Offering Period that commences following the Effective Date must be retained for at least 180 days following such Purchase Date.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows:

1. Section 14 of the Plan ("Non-Transferability") is hereby amended and restated in full, as follows:

"14. NON-TRANSFERABILITY. Prior to a Purchase Date, a Participant's rights under the Plan may not be transferred in any manner otherwise than by will or the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. Subsequent to a Purchase Date, a Participant shall be allowed to sell or otherwise dispose of the Shares acquired on any prior Purchase Date in any manner that he or she deems fit; provided, however, that with respect to Shares acquired on a Purchase Date for any Offering Period commencing after October 20, 2022, a Participant shall be prohibited from selling or otherwise disposing of the Shares acquired on any Purchase Date for the first 180 days following such Purchase Date. Furthermore, the Company, in its absolute discretion, may impose such additional restrictions on the transferability of Shares purchased by a Participant pursuant to the Plan as it deems appropriate and any such restriction may be placed on the certificates evidencing such Shares or otherwise evidenced on the records with respect to uncertificated Shares (see also Sections 9(d) and 18 of the Plan)."

2. Except as expressly modified herein, the Plan shall remain in full force and effect. The Plan, together with this Amendment, sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and thereof, and supersedes any and all prior agreements or understandings, whether written or oral, relating to the matters set forth herein and therein.

EchoStar Announces Financial Results for the Three and Nine Months Ended September 30, 2022

Englewood, CO, November 2, 2022—EchoStar Corporation (NASDAQ: SATS) announced its financial results for the three and nine months ended September 30, 2022.

Three Months Ended September 30, 2022 Financial Highlights:

- Consolidated revenue of \$497.4 million.
- Consolidated net income of \$19.6 million, consolidated net income attributable to EchoStar common stock of \$22.4 million and basic and diluted earnings per share of common stock of \$0.27.
- Consolidated Adjusted EBITDA of \$158.8 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

Nine Months Ended September 30, 2022 Financial Highlights:

- Consolidated revenue of \$1,498.2 million.
- Consolidated net income of \$119.0 million, consolidated net income attributable to EchoStar common stock of \$127.7 million, and basic and diluted earnings per share of common stock of \$1.51.
- Consolidated Adjusted EBITDA of \$492.4 million (see discussion and the reconciliation of GAAP to this non-GAAP measure below).

“During the third quarter of 2022, the EchoStar team continued to optimize operations and asset yields, delivering a solid performance,” said Hamid Akhavan, CEO and President of EchoStar. “We remain focused on operating the business in an efficient manner while also preparing for the launch of our EchoStar XXIV/JUPITER 3 satellite. We have capitalized on enterprise market opportunities, and I am pleased that we have increased sales of equipment, primarily developed in-house, for both the three and nine month periods ending September 30, compared to the same periods last year. We continue to seek opportunities in pursuit of our strategy of being a global connectivity and services provider.”

Three Months Ended September 30, 2022 - Additional Information:

- Consolidated revenue decreased 1.4% or \$7.3 million year over year. Lower service revenue of \$31.4 million, primarily due to lower broadband consumer customers, was partially offset by higher equipment sales of \$24.1 million to our domestic and international enterprise customers. The decrease includes an estimated negative foreign exchange impact of \$3.8 million.
- Consolidated net income decreased \$10.7 million year over year. The decrease was primarily due to lower operating income of \$15.6 million and an unfavorable change in investments of \$13.8 million. These items were partially offset by lower net interest expense of \$10.9 million, lower net income tax expense of \$6.6 million, and lower losses on foreign exchange of \$3.8 million.
- Consolidated Adjusted EBITDA decreased 15.1% or \$28.2 million year over year.
 - Hughes segment adjusted EBITDA decreased \$25.4 million year over year. The decrease was driven by lower gross margin due primarily to a change in revenue mix.
 - ESS segment adjusted EBITDA increased \$1.1 million year over year.
 - Corporate and Other segment adjusted EBITDA decreased \$3.9 million year over year. The decrease was primarily due to higher corporate expenses and lower earnings of unconsolidated affiliates, net, of \$1.3 million.
- Hughes broadband subscribers totaled approximately 1,285,000, declining 61,000 from June 30, 2022. Current capacity limitations as well as competitive pressures are impacting consumer subscriber levels. In Latin America, subscriber levels were also impacted by adverse economic

conditions, more selective customer screening, and capacity allocation to higher economic value enterprise and government applications.

- For the three months ended September 30, 2022, approximately 60% of Hughes segment revenue was attributable to consumer customers with approximately 40% attributable to enterprise customers.
- Cash, cash equivalents and current marketable investment securities were \$1.6 billion as of September 30, 2022.
- During the three months ended September 30, 2022, we purchased 593,643 shares of our Class A common stock in open market trades.
- The Jupiter 3/EchoStar XXIV satellite continues to progress at Maxar and is expected to be launched during the first half of 2023

Set forth below is a table highlighting certain of EchoStar's segment results for the three and nine months ended September 30, 2022 and 2021 (amounts in thousands) (all US GAAP amounts reference results from operations):

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue				
Hughes	\$ 489,565	\$ 496,937	\$ 1,475,512	\$ 1,465,073
EchoStar Satellite Services	4,981	4,436	14,305	12,808
Corporate and Other	2,841	3,287	8,420	9,195
Total revenue	<u>\$ 497,387</u>	<u>\$ 504,660</u>	<u>\$ 1,498,237</u>	<u>\$ 1,487,076</u>
Adjusted EBITDA				
Hughes	\$ 177,574	\$ 202,997	\$ 544,284	\$ 612,251
EchoStar Satellite Services	3,447	2,319	9,658	6,481
Corporate & Other:				
Corporate overhead, operating and other	(22,521)	(19,974)	(62,265)	(61,940)
Equity in earnings (losses) of unconsolidated affiliates, net	319	1,630	759	2,615
Total Corporate & Other	<u>(22,202)</u>	<u>(18,344)</u>	<u>(61,506)</u>	<u>(59,325)</u>
Total Adjusted EBITDA	<u>\$ 158,819</u>	<u>\$ 186,972</u>	<u>\$ 492,436</u>	<u>\$ 559,407</u>
Net income (loss)	<u>\$ 19,550</u>	<u>\$ 30,217</u>	<u>\$ 118,968</u>	<u>\$ 142,804</u>
Expenditures for property and equipment	<u>\$ 61,457</u>	<u>\$ 89,537</u>	<u>\$ 249,374</u>	<u>\$ 352,003</u>

Reconciliation of GAAP to Non-GAAP Measurement (amounts in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 19,550	\$ 30,217	\$ 118,968	\$ 142,804
Interest income, net	(14,183)	(5,725)	(29,677)	(16,914)
Interest expense, net of amounts capitalized	13,845	16,313	43,125	79,848
Income tax provision (benefit), net	13,195	19,748	51,367	63,047
Depreciation and amortization	110,233	120,596	347,224	368,864
Net loss (income) attributable to non-controlling interests	2,853	3,192	8,736	6,419
EBITDA	145,493	184,341	539,743	644,068
(Gains) losses on investments, net	10,077	(3,748)	(48,071)	(112,981)
Impairment of long-lived assets	—	—	711	245
Litigation Expense	—	—	—	16,800
License fee dispute - India, net of non-controlling interests	444	(262)	—	(708)
Loss on Debt Repurchase	—	—	—	1,938
Foreign currency transaction (gains) losses, net	2,805	6,641	53	10,045
Adjusted EBITDA	<u>\$ 158,819</u>	<u>\$ 186,972</u>	<u>\$ 492,436</u>	<u>\$ 559,407</u>

Note on Use of Non-GAAP Financial Measures

EBITDA is defined as “Net income (loss)” excluding “Interest income, net,” “Interest expense, net of amounts capitalized,” “Income tax benefit (provision), net,” “Depreciation and amortization,” and “Net income (loss) attributable to non-controlling interests.”

Adjusted EBITDA is defined as EBITDA excluding Gains and losses on investments, net, Foreign currency transaction gains (losses), net, and other non-recurring or non-operational items. EBITDA and Adjusted EBITDA are not measures determined in accordance with US GAAP. EBITDA and Adjusted EBITDA are reconciled to Net income (loss) in the table above and should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with US GAAP. Our management uses EBITDA and Adjusted EBITDA as measures of our operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes that these non-GAAP measures provide meaningful supplemental information regarding the underlying operating performance of our business and are appropriate to enhance an overall understanding of our financial performance. Management also believes that EBITDA and Adjusted EBITDA are useful to investors because they are frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

The consolidated financial statements of EchoStar for the periods ended September 30, 2022 and 2021 are attached to this press release. Detailed financial data and other information are available in EchoStar’s Quarterly Report on Form 10-Q for the period ended September 30, 2022 filed today with the Securities and Exchange Commission.

EchoStar will host a conference call to discuss its earnings on Thursday, November 3, 2022 at 11:00 a.m. Eastern Time. The conference call will be broadcast live in listen-only mode on EchoStar’s investor relations website at ir.echostar.com. To participate via telephone and ask a question, participants must register using an online form found at <https://register.vevent.com/register/B1e14657de944641eeb7839877222163e8>.

About EchoStar Corporation

EchoStar Corporation (NASDAQ: SATS) is a premier global provider of satellite communications solutions. Headquartered in Englewood, Colo., and conducting business around the globe, EchoStar is a pioneer in secure communications technologies through its Hughes Network Systems and EchoStar Satellite Services business segments.

Safe Harbor Statement under the US Private Securities Litigation Reform Act of 1995

This press release may contain statements that are forward looking, as that term is defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. When used in this release, the words "believe," "anticipate," "goal," "seek," "estimate," "expect," "intend," "project," "continue," "future," "will," "would," "can," "may," "plans," and similar expressions and the use of future dates are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no responsibility for the accuracy of forward-looking statements or information or for updating forward-looking information or statements. These statements are subject to certain risks, uncertainties, and assumptions. See "Risk Factors" in EchoStar's Annual Report on Form 10-K for the period ended December 31, 2021 as filed with the Securities and Exchange Commission and in the other documents EchoStar files with the Securities and Exchange Commission from time to time.

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Contact Information

EchoStar Investor Relations

Terry Brown
Phone: +1 303-728-5179
Email: terry.brown@echostar.com

EchoStar Media Relations

Sharyn Nerenberg
Phone: +1 301-428-7124
Email: sharyn.nerenberg@echostar.com

ECHOSTAR CORPORATION
Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

	As of	
	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 901,269	\$ 535,894
Marketable investment securities	666,904	1,010,496
Trade accounts receivable and contract assets, net	243,683	182,063
Other current assets, net	229,214	198,444
Total current assets	2,041,070	1,926,897
Non-current assets:		
Property and equipment, net	2,251,258	2,338,285
Operating lease right-of-use assets	147,811	149,198
Goodwill	532,570	511,086
Regulatory authorizations, net	460,084	469,766
Other intangible assets, net	16,323	13,984
Other investments, net	352,778	297,747
Other non-current assets, net	323,411	338,241
Total non-current assets	4,084,235	4,118,307
Total assets	\$ 6,125,305	\$ 6,045,204
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 95,019	\$ 109,338
Contract liabilities	127,584	141,343
Accrued expenses and other current liabilities	183,613	209,442
Total current liabilities	406,216	460,123
Non-current liabilities:		
Long-term debt, net	1,496,578	1,495,994
Deferred tax liabilities, net	434,043	403,684
Operating lease liabilities	133,197	134,897
Other non-current liabilities	119,719	136,426
Total non-current liabilities	2,183,537	2,171,001
Total liabilities	2,589,753	2,631,124

Commitments and contingencies

ECHOSTAR CORPORATION
Consolidated Balance Sheets
(Amounts in thousands, except share and per share amounts)

Stockholders' equity:

Preferred stock, \$0.001 par value, 20,000,000 shares authorized, none issued and outstanding at both September 30, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value, 4,000,000,000 shares authorized:		
Class A common stock, \$0.001 par value, 1,600,000,000 shares authorized, 58,604,927 shares issued and 35,291,616 shares outstanding at September 30, 2022 and 58,059,622 shares issued and 38,726,923 shares outstanding at December 31, 2021	59	58
Class B convertible common stock, \$0.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at both September 30, 2022 and December 31, 2021	48	48
Class C convertible common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both September 30, 2022 and December 31, 2021	—	—
Class D common stock, \$0.001 par value, 800,000,000 shares authorized, none issued and outstanding at both September 30, 2022 and December 31, 2021	—	—
Additional paid-in capital	3,361,219	3,345,878
Accumulated other comprehensive income (loss)	(180,339)	(212,102)
Accumulated earnings (losses)	784,170	656,466
Treasury shares, at cost	(525,824)	(436,521)
Total EchoStar Corporation stockholders' equity	3,439,333	3,353,827
Non-controlling interests	96,219	60,253
Total stockholders' equity	3,535,552	3,414,080
Total liabilities and stockholders' equity	\$ 6,125,305	\$ 6,045,204

ECHOSTAR CORPORATION
Consolidated Statements of Operations
(Amounts in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Services and other revenue	\$ 401,382	\$ 432,739	\$ 1,234,890	\$ 1,294,355
Equipment revenue	96,005	71,921	263,347	192,721
Total revenue	<u>497,387</u>	<u>504,660</u>	<u>1,498,237</u>	<u>1,487,076</u>
Costs and expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	145,189	138,179	430,553	410,515
Cost of sales - equipment (exclusive of depreciation and amortization)	74,329	62,328	213,497	161,982
Selling, general and administrative expenses	111,421	112,986	342,682	341,143
Research and development expenses	9,181	7,974	25,562	22,960
Depreciation and amortization	110,233	120,596	347,224	368,864
Impairment of long-lived assets	—	—	711	245
Total costs and expenses	<u>450,353</u>	<u>442,063</u>	<u>1,360,229</u>	<u>1,305,709</u>
Operating income (loss)	<u>47,034</u>	<u>62,597</u>	<u>138,008</u>	<u>181,367</u>
Other income (expense):				
Interest income, net	14,183	5,725	29,677	16,914
Interest expense, net of amounts capitalized	(13,845)	(16,313)	(43,125)	(79,848)
Gains (losses) on investments, net	(10,077)	3,748	48,071	112,981
Equity in earnings (losses) of unconsolidated affiliates, net	(1,426)	74	(4,441)	(2,596)
Foreign currency transaction gains (losses), net	(2,805)	(6,641)	(53)	(10,045)
Other, net	(319)	775	2,198	(12,922)
Total other income (expense), net	<u>(14,289)</u>	<u>(12,632)</u>	<u>32,327</u>	<u>24,484</u>
Income (loss) before income taxes	<u>32,745</u>	<u>49,965</u>	<u>170,335</u>	<u>205,851</u>
Income tax benefit (provision), net	(13,195)	(19,748)	(51,367)	(63,047)
Net income (loss)	<u>19,550</u>	<u>30,217</u>	<u>118,968</u>	<u>142,804</u>
Less: Net loss (income) attributable to non-controlling interests	2,853	3,192	8,736	6,419
Net income (loss) attributable to EchoStar Corporation common stock	<u>\$ 22,403</u>	<u>\$ 33,409</u>	<u>\$ 127,704</u>	<u>\$ 149,223</u>
Earnings (losses) per share - Class A and B common stock:				
Basic	<u>\$ 0.27</u>	<u>\$ 0.38</u>	<u>\$ 1.51</u>	<u>\$ 1.64</u>
Diluted	<u>\$ 0.27</u>	<u>\$ 0.38</u>	<u>\$ 1.51</u>	<u>\$ 1.64</u>

ECHOSTAR CORPORATION
Consolidated Statements of Cash Flows
(Amounts in thousands)

For the nine months ended September
30,

	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$ 118,968	\$ 142,804
Adjustments to reconcile net income (loss) to cash flows provided by (used for) operating activities:		
Depreciation and amortization	347,224	368,864
Impairment of long-lived assets	711	245
Losses (gains) on investments, net	(48,071)	(112,981)
Equity in losses (earnings) of unconsolidated affiliates, net	4,441	2,596
Foreign currency transaction losses (gains), net	53	10,045
Deferred tax provision (benefit), net	28,901	45,950
Stock-based compensation	8,401	5,913
Amortization of debt issuance costs	583	2,192
Other, net	35,609	16,691
Changes in assets and liabilities, net:		
Trade accounts receivable and contract assets, net	(63,563)	(20,894)
Other current assets, net	(26,402)	(7,841)
Trade accounts payable	657	(15,386)
Contract liabilities	(13,759)	30,066
Accrued expenses and other current liabilities	(27,004)	(103,457)
Non-current assets and non-current liabilities, net	(23,432)	63,055
Net cash provided by (used for) operating activities	<u>343,317</u>	<u>427,862</u>
Cash flows from investing activities:		
Purchases of marketable investment securities	(540,447)	(1,452,982)
Sales and maturities of marketable investment securities	917,077	2,099,815
Expenditures for property and equipment	(249,374)	(352,003)
Expenditures for externally marketed software	(16,926)	(25,634)
India JV formation	(7,892)	—
Dividend received from unconsolidated affiliate	2,000	—
Sale of unconsolidated affiliate	7,500	—
Purchase of other investments	—	(50,000)
Sales of other investments	3,070	10,951
Net cash provided by (used for) investing activities	<u>115,008</u>	<u>230,147</u>
Cash flows from financing activities:		
Repurchase and maturity of the 2021 Senior Unsecured Notes	—	(901,818)
Payment of finance lease obligations	(114)	(578)
Payment of in-orbit incentive obligations	(2,422)	(1,800)
Proceeds from Class A common stock issued under the Employee Stock Purchase Plan	7,173	7,288
Treasury share repurchase	(89,303)	(229,383)
Contribution by non-controlling interest holder	—	9,880
Other, net	—	(966)
Net cash provided by (used for) financing activities	<u>(84,666)</u>	<u>(1,117,377)</u>
Effect of exchange rates on cash and cash equivalents	(3,123)	(3,114)
Net increase (decrease) in cash and cash equivalents	370,536	(462,482)
Cash and cash equivalents, including restricted amounts, beginning of period	536,874	896,812
Cash and cash equivalents, including restricted amounts, end of period	<u>\$ 907,410</u>	<u>\$ 434,330</u>