UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
June 9, 2011 (June 8, 2011)

ECHOSTAR CORPORATION
(Exact name of registrant as specified in its charter)

NEVADA	**001-33807**	**26-1232727**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

100 INVERNESS TERRACE E. ENGLEWOOD, COLORADO	**80112**
(Address of principal executive offices)	(Zip Code)

(303) 706-4000
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On June 8, 2011, EH Holding Corporation ("EHHC"), a wholly-owned subsidiary of EchoStar Corporation (NASDAQ: "SATS") ("EchoStar"), together with certain subsidiaries of EHHC (the "Guarantors"), including Hughes Communications, Inc. ("Hughes") and certain of its subsidiaries (together with Hughes, the "Supplemental Guarantors") that became subsidiaries of EHHC upon the closing of the Merger (as defined in Item 2.01 below), entered into a security agreement (the "Security Agreement") with Wells Fargo Bank, National Association, as collateral agent, relating to EHHC's $1.1 billion aggregate principal amount of its 6½% Senior Secured Notes due 2019 (the "Secured Notes") issued on June 1, 2011. Pursuant to the Security Agreement, the Secured Notes are secured equally and ratably by security interests in substantially all existing and future tangible and intangible assets of EHHC and the Guarantors on a first priority basis, subject to certain exceptions.

In addition, on June 8, 2011, EHHC and the Guarantors, including the Supplemental Guarantors, and Wells Fargo Bank, National Association, as trustee (the "Trustee") and collateral agent, entered into a supplemental indenture (the "Secured Supplemental Indenture") to the Indenture (the "Secured Indenture"), dated as of June 1, 2011, among EHHC, the initial guarantors named on the signature pages thereto (the "Initial Guarantors") and the Trustee and collateral agent, relating to the Secured Notes. On the same date, EHHC and the Guarantors, including the Supplemental Guarantors, and the Trustee also entered into a supplemental indenture (the "Unsecured Supplemental Indenture" and, together with the Secured Supplemental Indenture, the "Supplemental Indentures") to the Indenture (the "Unsecured Indenture" and, together with the Secured Indenture, the "Indentures"), dated as of June 1, 2011, among EHHC, the Initial Guarantors and the Trustee, relating to EHHC's $900 million aggregate principal amount of its $7^5/_8$% Senior Notes due 2021 (the "Unsecured Notes" and, together with the Secured Notes, the "Notes"). Pursuant to the Supplemental Indentures, the Supplemental Guarantors became additional guarantors of the Notes under the Indentures.

On June 8, 2011, in connection with the closing of the Merger, the gross proceeds from the offering of the Notes were released from escrow and used to fund a portion of the purchase price and related fees and expenses for the Merger as well as the repayment or redemption of certain outstanding indebtedness of Hughes and its subsidiary Hughes Network Systems, LLC ("HNS").

Copies of the Security Agreement, the Secured Supplemental Indenture and the Unsecured Supplemental Indenture are attached hereto as Exhibit 4.1, Exhibit 4.2 and Exhibit 4.3, respectively, and incorporated herein by reference. The description set forth above is qualified in its entirety by the Security

Agreement, the Secured Supplemental Indenture and the Unsecured Supplemental Indenture filed herewith as exhibits.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On June 8, 2011, EchoStar completed its previously announced acquisition of Hughes, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 13, 2011, by and among Hughes, EchoStar, EchoStar Satellite Services L.L.C., a Colorado limited liability company, and Broadband Acquisition Corporation, a Delaware corporation ("Merger Sub"). Pursuant to the Merger Agreement, Merger Sub merged with and into Hughes (the "Merger"), with Hughes continuing as the surviving entity.

Pursuant to the Merger Agreement, at the effective time of the Merger, each issued and outstanding share of common stock, par value $0.001 per share ("Common Stock"), of Hughes (other than any Common Stock held in the treasury of Hughes and any Common Stock owned, directly or indirectly, by EchoStar or Merger Sub immediately prior to the effective time of the Merger) was converted into the right to receive $60.70 in cash (without interest) and cancelled. Additionally, substantially all of the outstanding debt of Hughes and HNS (including the 9½% Senior Notes due 2014 issued by HNS) was repaid.

Upon the closing of the Merger, Hughes became an indirect wholly-owned subsidiary of EchoStar, and the Common Stock, which traded under the symbol "HUGH", is being delisted from the NASDAQ Global Select Market.

The foregoing description of the Merger and the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which has been filed as Exhibit 2.1 to Hughes' Current Report on Form 8-K filed on February 15, 2011 and is incorporated herein by reference.

See Press Release, dated June 8, 2011, "EchoStar Corporation Completes Hughes Communications, Inc. Acquisition," attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited consolidated balance sheets of Hughes as of December 31, 2010 and 2009 and the audited consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2010, and the notes thereto, are attached hereto as Exhibit 99.2.

The unaudited condensed consolidated financial statements of Hughes as of March 31, 2011 and for the three months ended March 31, 2011 and 2010, including the notes thereto, are attached hereto as Exhibit 99.3.

(b) Pro Forma Financial Information

The pro forma financial information required by this item is not being filed herewith. To the extent such information is required by this item, it will be filed with the Securities and Exchange Commission by amendment to this Current Report on Form 8-K no later than 71 days after the date on which this Current Report on Form 8-K is required to be filed.

(d) Exhibits.

Exhibit No.	Description
Exhibit 2.1	Agreement and Plan of Merger, dated as of February 13, 2011, by and among Hughes Communications, Inc., EchoStar Corporation, Broadband Acquisition Corporation and EchoStar Satellite Services L.L.C. (incorporated herein by reference to Hughes' Current Report on Form 8-K, filed on February 15, 2011).
Exhibit 4.1	Security Agreement, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as collateral agent.
Exhibit 4.2	Supplemental Indenture, relating to the Secured Notes, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as trustee and collateral agent.
Exhibit 4.3	Supplemental Indenture, relating to the Unsecured Notes, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as trustee.
Exhibit 23.1	Consent of Deloitte & Touche LLP
Exhibit 99.1	Press Release dated June 8, 2011
Exhibit 99.2	Audited consolidated balance sheets of Hughes Communications, Inc. as of December 31, 2010 and 2009 and audited consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2010.
Exhibit 99.3	Unaudited condensed consolidated financial statements of Hughes Communications, Inc. as of March 31, 2011 and for the three months ended March 31, 2011 and 2010.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ECHOSTAR CORPORATION

By: /s/ R. Stanton Dodge
R. Stanton Dodge
Executive Vice President, General Counsel and Secretary

Dated: June 9, 2011

EXHIBIT INDEX

Number	Description
2.1	Agreement and Plan of Merger, dated as of February 13, 2011, by and among Hughes Communications, Inc., EchoStar Corporation, Broadband Acquisition Corporation and EchoStar Satellite Services L.L.C. (incorporated herein by reference to Hughes' Current Report on Form 8-K, filed on February 15, 2011).
4.1	Security Agreement, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as collateral agent.
4.2	Supplemental Indenture, relating to the Secured Notes, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as trustee and collateral agent.
4.3	Supplemental Indenture, relating to the Unsecured Notes, dated as of June 8, 2011, among EHHC, the Guarantors and Wells Fargo Bank, National Association, as trustee.
23.1	Consent of Deloitte & Touche LLP
99.1	Press Release dated June 8, 2011
99.2	Audited consolidated balance sheets of Hughes Communications, Inc. as of December 31, 2010 and 2009 and audited consolidated statements of operations, changes in equity and cash flows for each of the three years in the period ended December 31, 2010.
99.3	Unaudited condensed consolidated financial statements of Hughes Communications, Inc. as of March 31, 2011 and for the three months ended March 31, 2011 and 2010.

Exhibit 4.1

SECURITY AGREEMENT

By

EH HOLDING CORPORATION,
as Issuer

and

THE GUARANTORS FROM TIME TO TIME PARTY HERETO

and

Wells Fargo Bank, National Association,
as Collateral Agent

Dated as of June 8, 2011

TABLE OF CONTENTS

REPRESENTATIONS, WARRANTIES AND COVENANTS

ARTICLE V

CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

ARTICLE VI

CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL

ARTICLE VII

CERTAIN PROVISIONS CONCERNING RECEIVABLES

ARTICLE VIII

TRANSFERS

ARTICLE IX

REMEDIES

ARTICLE X

PROCEEDS OF CASUALTY EVENTS AND COLLATERAL DISPOSITIONS; APPLICATION OF PROCEEDS

ARTICLE XI

MISCELLANEOUS

SECURITY AGREEMENT

This SECURITY AGREEMENT dated as of June 8, 2011 (as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this “Agreement”) made by EH HOLDING CORPORATION, a Colorado corporation (the “Issuer”), and the Guarantors from to time to time party hereto, as pledgors, assignors and debtors (the Issuer, together with the Guarantors, in such capacities and together with any successors in such capacities, the “Pledgors,” and each, a “Pledgor”), in favor of Wells Fargo Bank, National Association, in its capacity as collateral agent, as pledgee, assignee and secured party (in such capacities and together with any successors in such capacities, the “Collateral Agent”) for the benefit of the Secured Parties (as defined below), and acknowledged and agreed to by (i) Wells Fargo Bank, National Association, on its behalf solely in its capacity as trustee (the “Trustee”) and on behalf of the Holders of the Notes (as defined below) and (ii) each other Authorized Representative (as hereinafter defined), from time to time, for any Additional Secured Obligations with respect to which a Additional Secured Party Joinder has been delivered to the Collateral Agent and the other Authorized Representatives in accordance with Section 12.1.

R E C I T A L S :

A. Pursuant to that certain secured indenture (the “Indenture”) dated as of June 1, 2011 by and among the Issuer, the Guarantors and the Trustee, the Issuer is issuing $1,100,000,000 aggregate principal amount of their 6½% Senior Secured Notes due 2019 (the “Initial Secured Notes” and together with any Additional Secured Notes and Exchange Secured Notes, the “Notes”).

B. Each Guarantor has, pursuant to the Indenture, unconditionally guaranteed on a senior secured basis to the Secured Parties the payment when due of all Notes Obligations (as defined below).

C. From time to time after the date hereof, the Issuer may, subject to the terms and conditions of the Indenture and the Security Documents, incur additional Indebtedness, which is *pari passu* in right of payment to the Notes, that the Issuer and the other Pledgors desire to secure on a *pari passu* basis with the Notes.

D. The Issuer and each Guarantor will receive substantial benefits from the execution, delivery and performance of the obligations under the Indenture, the Security Documents and the Notes and each is, therefore, willing to enter into this Agreement.

E. This Agreement is given by each Pledgor in favor of the Collateral Agent for the benefit of the Secured Parties (as hereinafter defined) to secure the payment and performance of all of the Secured Obligations.

F. It is a condition to the issuance of the Notes that each Pledgor execute and deliver the applicable Security Documents, including this Agreement.

A G R E E M E N T :

NOW THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Pledgor and the Collateral Agent hereby agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

SECTION 1.1. Definitions.

(a) Unless otherwise defined herein or in the Indenture, capitalized terms used herein that are defined in the UCC shall have the meanings assigned to them in the UCC; provided that in any event, the following terms shall have the meanings assigned to them in the UCC:

"Accounts"; "Bank"; "Chattel Paper"; "Commercial Tort Claim"; "Commodity Account"; "Commodity Contract"; "Commodity Intermediary"; "Documents"; "Electronic Chattel Paper"; "Entitlement Order"; "Equipment"; "Financial Asset"; "Fixtures"; "Goods", "Inventory"; "Letter-of-Credit Rights"; "Letters of Credit"; "Money"; "Payment Intangibles"; "Proceeds"; " Records"; "Securities Account"; "Securities Intermediary"; "Security Entitlement"; "Supporting Obligations"; and "Tangible Chattel Paper."

(b) Terms used but not otherwise defined herein that are defined in the Indenture shall have the meanings given to them in the Indenture.

(c) The following terms shall have the following meanings:

"Account Debtor" shall mean each person who is obligated on a Receivable or Supporting Obligation related thereto.

"Additional Secured Agent" shall mean the Person appointed to act as trustee, agent or representative for the holders of Additional Secured Obligations pursuant to any Additional Secured Agreement.

"Additional Secured Agreement" shall mean the indenture, credit agreement or other agreement under which any Additional Secured Obligations (other than Additional Notes) are incurred and any notes or other instruments representing such Additional Secured Obligations.

"Additional Secured Debt Documents" means any document or instrument executed and delivered with respect to any Additional Secured Obligations.

"Additional Secured Obligations" means obligations designated as Additional Secured Obligations pursuant to Section 12.1 hereof.

"Additional Secured Parties" shall mean the holders from time to time of Additional Secured Obligations and the Authorized Representative for any such Additional Secured Obligations.

"Additional Secured Party Joinder" shall mean a completed additional secured party joinder in the form of Exhibit 9 hereto.

"Agreement" shall have the meaning assigned to such term in the Preamble hereof.

"Authorized Representative" shall mean (i) the Collateral Agent for so long as the Notes are Secured Obligations hereunder and (ii) any other trustee, agent or representative designated as an "Authorized Representative" for any Additional Secured Parties in an Additional Secured Party Joinder delivered to the Collateral Agent and the other Authorized Representatives in accordance with Section 12.1 for so long as the Additional Secured Obligations for which such party is serving in such capacity constitutes Secured Obligations hereunder; provided that so long as there are no Additional Secured Obligations, the Collateral Agent will be deemed to be the only Authorized Representative for the Secured Parties.

"Bailee Letter" shall mean a letter agreement in form substantially similar to Exhibit 7 hereto, or such other form as the applicable bailee shall require and the Collateral Agent and the applicable Pledgor shall reasonably agree.

"Collateral" shall have the meaning assigned to such term in Section 2.1 hereof.

"Collateral Agent" shall have the meaning assigned to such term in the Preamble hereof.

"Collateral Support" shall mean all property (real or personal) assigned, hypothecated or otherwise securing any Pledged Collateral and shall include any security agreement or other agreement granting a lien or security interest in such real or personal property.

"Commodity Account Control Agreement" shall mean a control agreement in a form and substance that is reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to any Commodity Account.

"Contracts" shall mean, collectively, with respect to each Pledgor, the Acquisition Documents, all sale, service, performance, equipment or property lease contracts, agreements and grants and all other contracts, agreements or grants (in each case, whether written or oral, or third party or intercompany), between such Pledgor and any third party, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof.

"Control" shall mean (i) in the case of each Deposit Account, "control," as such term is defined in Section 9-104 of the UCC, (ii) in the case of any Security Entitlement, "control," as such term is defined in Section 8-106 of the UCC, and (iii) in the case of any Commodity Contract, "control," as such term is defined in Section 9-106 of the UCC.

"Control Agreements" shall mean, collectively, the Deposit Account Control Agreement, the Securities Account Control Agreement and the Commodity Account Control Agreement.

"Copyrights" shall mean, collectively, with respect to each Pledgor, all copyrights (whether statutory or common law, established or registered in the United States or any political subdivision thereof, whether registered or unregistered and whether published or unpublished) and all copyright registrations and applications made by such Pledgor in the United States, in each case, whether now or hereafter owned by such Pledgor, together with any and all (i) rights and privileges arising under applicable law with respect to such Pledgor's use of such copyrights, (ii) reissues and renewals thereof and amendments thereto, (iii) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable with respect thereto, including damages and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present or future infringements thereof.

"Copyright Security Agreement" shall mean an agreement substantially in the form of Exhibit 4 hereto.

"Default" or "Event of Default" shall mean a "default" or "event of default" under the Indenture or under any Additional Secured Debt Document.

"Deposit Account Control Agreement" shall mean an agreement in a form and substance that is reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to any Deposit Account.

"Deposit Accounts" shall mean, collectively, with respect to each Pledgor, (i) all "deposit accounts" as such term is defined in the UCC and in any event shall include all accounts and sub-accounts of such Pledgor relating to any of the foregoing accounts and (ii) all cash, funds, checks, notes and instruments from time to time on deposit in any of the accounts or sub-accounts described in clause (i) of this definition.

"Distributions" shall mean, collectively, with respect to each Pledgor, all dividends, cash, options, warrants, rights, instruments, distributions, returns of capital or principal, income, interest, profits and other property, interests (debt or equity) or proceeds, including as a result of a split, revision, reclassification or other like change of the Pledged Securities, from

time to time received, receivable or otherwise distributed to such Pledgor in respect of or in exchange for any or all of the Pledged Securities or Intercompany Notes.

"Environment" shall mean ambient air, indoor air, surface water and groundwater (including potable water, navigable water and wetlands), the land surface or subsurface strata, natural resources, the workplace or as otherwise defined in any Environmental Law.

"Environmental Law" shall mean any and all present and future treaties, laws, statutes, ordinances, regulations, rules, decrees, orders, judgments, consent orders, consent decrees, code or other binding requirements, and the common law, relating to protection of public health or the Environment, the Release or threatened Release of Hazardous Material, natural resources or natural resource damages, or occupational safety or health, and any and all Environmental Permits.

"Environmental Permit" shall mean any permit, license, approval, registration, notification, exemption, consent or other authorization required by or from a Governmental Authority under Environmental Law.

"Excluded Accounts" shall mean:

(i) any Deposit Accounts, Commodities Accounts and Securities Accounts with an average daily balance of less than $100,000 individually and less than $1,000,000 for all such accounts in the aggregate;

(ii) any Deposit Accounts, Commodities Accounts and Securities Accounts of which all of the funds on deposit are used exclusively for funding (a) payroll, (b) 401(k) and other retirement plans and employee benefits, or (c) health care benefits;

(iii) any Deposit Accounts, Commodities Accounts and Securities Accounts that solely contain property not beneficially owned by any Pledgor, including any escrow accounts; and

(iv) any Deposit Accounts, Commodities Accounts and Securities Accounts that have a zero balance at the end of each business day.

"Excluded Property" shall mean

(a) any permit or license issued by a Governmental Authority or otherwise to any Pledgor or any agreement to which any Pledgor is a party or in which it has an interest, in each case, only to the extent and for so long as (x) the terms of such permit, license or agreement or any Requirement of Law applicable thereto, validly prohibit the creation by such Pledgor of a security interest in such permit, license or agreement in favor of the Collateral Agent, (y) the terms of such permit, license or agreement validly require any consent not obtained thereunder in order for any Pledgor to create a security interest therein or (z) the creation by such Pledgor of a security interest in such permit, license or agreement would constitute or result in the abandonment, invalidation or unenforceability of such permit, license or agreement or breach of, termination of or default under such permit, license or agreement, in each case pursuant to the terms thereof (after giving effect to Sections 9-406(d), 9-407(a), 9-408(a) or 9-409 of the UCC (or any successor provision or provisions) or any other applicable law (including the Bankruptcy Code) or principles of equity); and

(b) assets owned by any Pledgor on the date hereof or hereafter acquired and any proceeds thereof that are subject to a Lien securing a Purchase Money Indebtedness or Capital Lease Obligation permitted to be incurred pursuant to the provisions of the Indenture to the extent and for so long as the contract or other agreement in which such Lien is granted (or the documentation providing for such Purchase Money Indebtedness or Capital Lease Obligation) validly prohibits the creation of any other Lien on such assets and proceeds;

(c) any property of a person existing at the time such person is acquired or merged with or into or consolidated with any Pledgor that is subject to a Lien permitted pursuant to clause (i) of the definition of Permitted Liens in the Indenture to the extent and for so long as the contract or other agreement in which such Lien is granted validly prohibits the creation of any other Lien on such property;

(d) any Equity Interests of a Foreign Subsidiary to the extent and for so long as the pledge thereof to the Collateral Agent would constitute an investment of earnings in United States property under Section 956 (or a successor provision) of the Code, which investment would or could reasonably be expected to trigger a material increase in the net income of a United States shareholder of such Foreign Subsidiary pursuant to Section 951 (or a successor provision) of the Code, as reasonably determined by the Collateral Agent;

(e) any intent-to-use trademark application to the extent and for so long as creation by a Pledgor of a security interest therein would result in the loss by such Pledgor of any rights therein;

(f) any property or asset only to the extent and for so long as the grant of a security interest in such property or asset is prohibited by any applicable law, requires a consent not obtained of any Governmental Authority pursuant to applicable law (other than as set forth in Section 11.14) or requires any other consent pursuant to applicable law not obtained in order for any Pledgor to create a security interest therein;

(g) Capital Stock of any person (other than a Wholly Owned Subsidiary) the pledge of which would violate the Organizational Documents of such person or a contractual obligation to the owners of the Capital Stock of such person not owned by a Pledgor, that is binding on or relating to such Capital Stock;

(h) any assets that are subject to a Purchase Money Indebtedness or Capital Lease Obligations permitted under the Indenture to the extent the documents relating to such Purchase Money Indebtedness or Capital Lease Obligations would not permit such assets to be subject to the security interest created hereby;

(i) any Equity Interests to the extent necessary so that Rule 3-16 of Regulation S-X (or any successor rule) under the Securities Act would not require the filing with the Securities and Exchange Commission of separate financial statements of any Subsidiary of the Issuer due to the fact that such Subsidiary's Equity Interests secure the Notes, which Equity Interests shall automatically be deemed released and to not be and to not have been part of the Pledged Collateral or Foreign Collateral (but only to the extent necessary to not be subject to such requirement);

(j) any leasehold interest in Real Property for which the landlord or sublandlord under the lease creating such leasehold interest does not grant its consent to the Pledgor mortgaging its leasehold interest in such Real Property to the extent that such consent is required pursuant to the terms of such lease;

(k) assets subject to Liens permitted pursuant to clause (e) of the definition of Permitted Liens and segregated deposits subject to Liens permitted pursuant to clause (y) of the definition of "Permitted Liens," in each case, to the extent the documents relating to such Liens would not permit such assets to be subject to the security interest created hereby;

(l) the property credited to and the accounts described in clauses (ii) and (iii) of the definition of "Excluded Accounts;" and

(m) Special Spaceway 4 Collateral to the extent and for so long as it is subject to a perfected security interest in favor of the Collateral Agent for the benefit of the Secured Parties pursuant to a separate security agreement;

provided, however, that Excluded Property shall not include any Proceeds, substitutions or replacements of any Excluded Property referred to in clause (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k) or (l) (unless such Proceeds, substitutions or replacements would constitute Excluded Property referred to in clauses (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l) or (m).

"Foreign Collateral" shall mean the Collateral of any Pledgor located outside the United States; provided that Equity Interests of any Person organized under the laws of the United States or any State thereof or the District of Columbia owned by any Pledgor shall not in any event constitute Foreign Collateral.

"General Intangibles" shall mean, collectively, with respect to each Pledgor, all "general intangibles," as such term is defined in the UCC, of such Pledgor and, in any event, shall include (i) all of such Pledgor's rights, title and interest in, to and under all Contracts,

including but not limited to Intellectual Property Licenses, and insurance policies (including all rights and remedies relating to monetary damages, including indemnification rights and remedies, and claims for damages or other relief pursuant to or in respect of any Contract), (ii) all know-how and warranties relating to any of the Collateral or the Mortgaged Property, (iii) any and all other rights, claims, choses-in-action and causes of action of such Pledgor against any other person and the benefits of any and all collateral or other security given by any other person in connection therewith, (iv) all guarantees, endorsements and indemnifications on, or of, any of the Collateral or any of the Mortgaged Property, (v) all lists, books, records, correspondence, ledgers, printouts, files (whether in printed form or stored electronically), tapes and other papers or materials containing information relating to any of the Collateral or any of the Mortgaged Property, including all customer or tenant lists, identification of suppliers, data, plans, blueprints, specifications, designs, drawings, appraisals, recorded knowledge, surveys, studies, engineering reports, test reports, manuals, standards, processing standards, performance standards, catalogs, research data, computer and automatic machinery software and programs and the like, field repair data, accounting information pertaining to such Pledgor's operations or any of the Collateral or any of the Mortgaged Property and all media in which or on which any of the information or knowledge or data or records may be recorded or stored and all computer programs used for the compilation or printout of such information, knowledge, records or data, (vi) all licenses, consents, permits, variances, certifications, authorizations and approvals, however characterized, now or hereafter acquired or held by such Pledgor, including building permits, certificates of occupancy, environmental certificates, industrial permits or licenses and certificates of operation and (vii) all rights to reserves, deferred payments, deposits, refunds, indemnification of claims and claims for tax or other refunds against any Governmental Authority.

"Governmental Real Property Disclosure Requirements" shall mean any requirement of Law of any Governmental Authority requiring notification of the buyer, lessee, mortgagee, assignee or other transferee of any Real Property, facility, establishment or business, or notification, registration or filing to or with any Governmental Authority, in connection with the sale, lease, mortgage, assignment or other transfer (including any transfer of control) of any Real Property, facility, establishment or business, of the actual or threatened presence or release in or into the environment, or the use, disposal or handling of Hazardous Materials on, at, under or near the Real Property, facility, establishment or business to be sold, leased, mortgaged, assigned or transferred.

"Hazardous Materials" shall mean the following: hazardous substances; hazardous wastes; polychlorinated biphenyls ("PCBs") or any substance or compound containing PCBs; asbestos or any asbestos-containing materials in any form or condition; radon or any other radioactive materials including any source, special nuclear or by-product material; petroleum, crude oil or any fraction thereof; and any other pollutant or contaminant or chemicals, wastes, materials, compounds, constituents or substances, subject to regulation or which can give rise to liability under any Environmental Laws.

"Indenture" shall have the meaning assigned to such term in Recital A hereof.

"Initial Notes" shall have the meaning assigned to such term in Recital A hereof.

"Instruments" shall mean, collectively, with respect to each Pledgor, all "instruments," as such term is defined in Article 9, rather than Article 3, of the UCC, and shall include all promissory notes, drafts, bills of exchange or acceptances.

"Intellectual Property Collateral" shall mean, collectively, the Patents, Trademarks and Copyrights.

"Intellectual Property Licenses" shall mean, collectively, with respect to each Pledgor, all license agreements with, and covenants not to sue, any other party with respect to any Patent, Trademark or Copyright or any other patent, trademark or copyright, where such Pledgor is a licensor or licensee under any such license agreement, together with any and all (i) renewals, extensions, and amendments thereof, (ii) income, fees, royalties, damages, claims and payments now and hereafter due and/or payable thereunder and with respect thereto, and (iii) rights to sue for past, present and future violations thereof.

"Intercompany Notes" shall mean, with respect to each Pledgor, all intercompany notes described in Schedule 10 to the Perfection Certificate and intercompany notes hereafter acquired by such Pledgor and all certificates, instruments or agreements evidencing such intercompany notes, and all assignments, amendments, restatements, supplements, extensions, renewals, replacements or modifications thereof to the extent permitted pursuant to the terms hereof.

"Investment Property" shall mean a security, whether certificated or uncertificated, Security Entitlement, Securities Account, Commodity Contract or Commodity Account, excluding, however, the Securities Collateral.

"Issuer" shall have the meaning assigned to such term in the Preamble hereof.

"Joinder Agreement" shall mean an agreement substantially in the form of Exhibit 3 hereto.

"Landlord Access Agreement" shall mean an agreement in form substantially similar to Exhibit 8 hereto, or such other form as the applicable landlord shall require and is reasonably acceptable to the Collateral Agent and the applicable Pledgor.

"Launch Contract" means the launch services agreement dated as of April 30, 2010 between the Launch Supplier and the Spaceway 4 Grantor providing for the launching into geostationary transfer orbit of the Spaceway 4 Satellite by an Ariane launch vehicle from Europe's Spaceport in Kourou, French Guiana, which is expected to take place prior to 31 May 2012, as the same may be amended from time to time.

"Launch Insurance" means the launch insurance described in Clause 17.2.3 (Launch Insurance) of the Spaceway 4 Credit Agreement.

"Launch Risk Guarantee" means the guarantee that the Spaceway 4 Grantor may require the Launch Supplier to provide under article 4.3 of the Launch Contract.

"Launch Supplier" means ARIANESPACE, a French company having its registered office at boulevard de l'Europe, B.P.177,91006 Evry-Courcouronnes, France.

"Leases" shall mean any and all leases, subleases, tenancies, options, concession agreements, rental agreements, occupancy agreements, franchise agreements, access agreements and any other agreements (including all amendments, extensions, replacements, renewals, modifications and/or guarantees thereof), whether or not of record and whether now in existence or hereinafter entered into, affecting the use or occupancy of all or any portion of any Real Property.

"Material Intellectual Property Collateral" shall mean any Intellectual Property Collateral that is material (i) to the use and operation of the Pledged Collateral or Mortgaged Property or (ii) to the business, results of operations, prospects or condition, financial or otherwise, of any Pledgor.

"Mortgage" shall have the meaning given to such term in the Indenture.

"Mortgaged Property" shall mean collectively, (i) owned Real Property identified as "Mortgaged Property" on Schedule 7(a)(I) to the Perfection Certificate and (ii) (x) each fee interest in Real Property with a value of at least $5,000,000 and (y) to the extent required by the Collateral Agent as directed by the required Holders of the Notes pursuant to the Indenture, each leasehold interest in Real Property with base rent of at least $1,000,000 per annum pursuant to an executed and validly existing Lease, in each case, acquired by any Issuer or any Guarantor after the Issue Date that does not constitute Excluded Property or Foreign Collateral.

"Notes" shall have the meaning assigned to such term in Recital A hereof.

"Notes Obligations" shall mean all (i) obligations, liabilities and indebtedness (including, without limitation, principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor at the rate provided for in the respective documentation, whether or not such claim for post-petition interest is allowed in any such proceeding)) owing to the Collateral Agent, the Trustee and the Notes Secured Parties, under the Notes, the Indenture, the Note Guarantees and the Security Documents and the due performance and compliance by the Pledgors with all of the terms, conditions and agreements contained in the Notes, the Note Guarantees, the Indenture and in Security Documents, (ii) any and all sums advanced by the Collateral Agent in accordance with the Indenture or any of the Security Documents in order to preserve the Pledged Collateral, Foreign Collateral or

Mortgaged Property or preserve its security interest in, or Lien on, the Pledged Collateral, Foreign Collateral or Mortgaged Property and (iii) in the event of any proceedings for the collection or enforcement of any indebtedness, obligations or liabilities of the Pledgors referred to in clause (i) above, the reasonable expenses of retaking, holding, preparing for sale or lease, selling or otherwise disposing of or realizing on the Pledged Collateral, Foreign Collateral or Mortgaged Property, or of any exercise by the Collateral Agent of its rights hereunder, or under any other Security Document, together with reasonable attorneys' fees and expenses and court costs.

"Notes Secured Parties" shall mean the Holders of the Notes and the Trustee.

"Ordinary Course of Business" shall mean, in respect of any transaction involving any Pledgor, the ordinary course of such Pledgor's business, as conducted by such Pledgor in accordance with past practice and undertaken by such Pledgor in good faith and not for purposes of evading any covenant or restriction in this Agreement, the Indenture or the Notes.

"Organizational Documents" shall mean, with respect to any person, (i) in the case of any corporation, the certificate of incorporation and by-laws (or similar documents) of such person, (ii) in the case of any limited liability company, the certificate of formation and operating agreement (or similar documents) of such person, (iii) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar documents) of such person, (iv) in the case of any general partnership, the partnership agreement (or similar document) of such person and (v) in any other case, the functional equivalent of the foregoing.

"Patents" shall mean, collectively, with respect to each Pledgor, all patents issued or assigned to, and all patent applications and registrations made by, such Pledgor, that are established or registered or recorded in the United States or any political subdivision thereof, together with any and all (i) rights and privileges arising under applicable law with respect to such patents, (ii) inventions and improvements described and claimed therein, (iii) reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof and amendments thereto, (iv) income, fees, royalties, damages, claims and payments now or hereafter due and/or payable thereunder and with respect thereto including damages and payments for past, present or future infringements thereof, (v) rights corresponding thereto throughout the world and (vi) rights to sue for past, present or future infringements thereof.

"Patent Security Agreement" shall mean an agreement substantially in the form of Exhibit 5 hereto.

"Perfection Certificate" shall mean that certain perfection certificate dated June 8, 2011, executed and delivered by each Pledgor in favor of the Collateral Agent for the benefit of the Secured Parties, and each other Perfection Certificate (which shall be in form and substance reasonably acceptable to the Collateral Agent) executed and delivered by the applicable Guarantor in favor of the Collateral Agent for the benefit of the Secured Parties contemporaneously with the execution and delivery of each Joinder Agreement executed in accordance with Section 3.6 hereof, in each case, as the same may be amended, amended and restated, supplemented or

otherwise modified from time to time in accordance with the Indenture or upon the request of the Collateral Agent.

"Pledge Amendment" shall have the meaning assigned to such term in Section 5.1 hereof.

"Pledged Collateral" shall mean all Collateral, other than the Excluded Property and the Foreign Collateral.

"Pledged Securities" shall mean, collectively, with respect to each Pledgor, (i) all issued and outstanding Equity Interests of each issuer set forth on Schedules 9(a) and 9(b) to the Perfection Certificate as being owned by such Pledgor and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such issuer acquired by such Pledgor (including by issuance), together with all rights, privileges, authority and powers of such Pledgor relating to such Equity Interests in each such issuer or under any Organizational Document of each such issuer, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Pledgor in the entries on the books of any financial intermediary pertaining to such Equity Interests, (ii) all Equity Interests of any issuer, which Equity Interests are hereafter acquired by such Pledgor (including by issuance) and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such issuer acquired by such Pledgor (including by issuance), together with all rights, privileges, authority and powers of such Pledgor relating to such Equity Interests or under any Organizational Document of any such issuer, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Pledgor in the entries on the books of any financial intermediary pertaining to such Equity Interests, from time to time acquired by such Pledgor in any manner, and (iii) all Equity Interests issued in respect of the Equity Interests referred to in clause (i) or (ii) upon any consolidation or merger of any issuer of such Equity Interests; provided, however, that Pledged Securities shall not include any Excluded Property.

"Pledgor" shall have the meaning assigned to such term in the Preamble hereof.

"Real Property" shall mean, collectively, all right, title and interest (including any leasehold, mineral or other estate) in and to any and all parcels of or interests in real property owned, leased or operated by any person, whether by lease, license or other means, together with, in each case, all easements, hereditaments and appurtenances relating thereto, all improvements and appurtenant fixtures and equipment, all general intangibles and contract rights and other property and rights incidental to the ownership, lease or operation thereof.

"Receivables" shall mean all (i) Accounts, (ii) Chattel Paper, (iii) Payment Intangibles, (iv) General Intangibles, (v) Instruments and (vi) all other rights to payment, whether or not earned by performance, for goods or other property sold, leased, licensed, assigned or otherwise disposed of, or services rendered or to be rendered, regardless of how classified under the UCC together with all of Pledgors' rights, if any, in any goods or other property giving rise to

such right to payment and all Collateral Support and Supporting Obligations related thereto and all Records relating thereto.

"Requirements of Law" shall mean, collectively, any and all applicable requirements of any Governmental Authority including any and all laws, judgments, orders, executive orders, decrees, ordinances, rules, regulations, statutes or case law.

"Release" shall mean any spilling, leaking, seepage, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, disposing, depositing, dispersing, emanating or migrating of any Hazardous Material in, into, onto or through the Environment, or from, into or thru any structure or facility.

"Satellite" shall mean any satellite owned by, or leased to the Issuer or any Guarantor and any satellite purchased pursuant to the terms of a Satellite Purchase Agreement, whether such satellite is in the process of manufacture, has been delivered for launch or is in orbit (whether or not in operational service).

"Satellite Manufacturer" shall mean, with respect to any Satellite, the prime contractor and manufacturer of such Satellite.

"Satellite Purchase Agreement" shall mean, with respect to any Satellite, the agreement between the applicable Satellite Purchaser and the applicable Satellite Manufacturer relating to the manufacture, testing and delivery of such Satellite.

"Satellite Purchaser" shall mean the Issuer or Guarantor that is a party to a Satellite Purchase Agreement or a launch service agreement, as the case may be.

"Secured Agreements" shall mean the Indenture, the Notes, the Notes Guarantees and the Additional Secured Debt Documents.

"Secured Obligations" shall mean (i) the Note Obligations (other than any Additional Notes except to the extent constituting Additional Secured Obligations) and the Security Documents and (ii) if any Additional Secured Obligations are incurred, all obligations, liabilities and indebtedness (including, without limitation, principal, premium, interest (including, without limitation, all interest that accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency, reorganization or similar proceeding of any Pledgor at the rate provided for in the respective documentation, whether or not such claim for post-petition interest is allowed in any such proceeding) owing to any holder of Additional Secured Obligations (that has been designated as Additional Secured Obligations pursuant to Section 12.1) under any Additional Secured Documents; *provided* that no obligations in respect of Additional Secured Obligations (other than Additional Notes) shall constitute "Secured Obligations" unless the Additional Secured Agent for the holders of such Additional Secured Obligations has executed an Additional Secured Party Joinder in the form of Exhibit 9 hereto.

"Secured Parties" shall mean, collectively, the Collateral Agent, the Notes Secured Parties and any Additional Secured Parties.

"Securities Account Control Agreement" shall mean an agreement in a form and substance that is reasonably satisfactory to the Collateral Agent establishing the Collateral Agent's Control with respect to any Securities Account.

"Securities Collateral" shall mean, collectively, the Pledged Securities, the Intercompany Notes and the Distributions.

"Spaceway 4 Credit Agreement" means the COFACE Covered Export Credit Agreement (as the same may be amended, modified or supplemented from time to time) dated as of October 29, 2010 by and among Hughes Network Systems, LLC as Borrower, the guarantors from time to time party thereto, the lenders from time to time party thereto, BNP Paribas as mandated lead arranger, Societe General as mandated lead arranger and BNP Paribas as facility agent, documentation agent and as security agent.

"Spaceway 4 Grantor" means Hughes Network Systems, LLC.

"Spaceway 4 Launch Insurance" means Launch Insurance that is procured by the Spaceway 4 Grantor on the Spaceway 4 Satellite.

"Special Spaceway 4 Collateral" shall mean (i) all Accounts and General Intangibles, whether now owned or in the future acquired by the Spaceway 4 Grantor and whether now existing or in the future coming into existence, comprising amounts payable, or which may become payable, to the Spaceway 4 Grantor, under the Launch Contract, (ii) if the Spaceway 4 Grantor elects to be provided with such Launch Risk Guarantee pursuant to the Launch Contract, the Launch Risk Guarantee, all Accounts and General Intangibles, whether now owned or in the future acquired by the Spaceway 4 Grantor and whether now existing or in the future coming into existence, comprising amounts payable, or which may become payable, to the Spaceway 4 Grantor, under the Launch Risk Guarantee, and all other rights of the Spaceway 4 Grantor under or in respect of the Launch Risk Guarantee, (iii) all policies and contracts of insurance which constitute the Spaceway 4 Launch Insurance all the benefits thereof, whether heretofore, now or hereafter effected, all renewals of or replacements for the Spaceway 4 Launch Insurance, all claims, returns of premium and other Accounts and General Intangibles due and to become due under or in respect of the Spaceway 4 Launch Insurance and all other rights of the Spaceway 4 Grantor under or in respect of the Spaceway 4 Launch Insurance, and (iv) all Proceeds of the foregoing.

"Survey" shall mean a survey of any Mortgaged Property (and all improvements thereon) which is (a) (i) prepared by a surveyor or engineer licensed to perform surveys in the jurisdiction where such Mortgaged Property is located, (ii) dated (or redated) not earlier than six months prior to the date of delivery thereof unless there shall have occurred within six months prior to such date of delivery any exterior construction on the site of such Mortgaged Property or

any easement, right of way or other interest in the Mortgaged Property has been granted or become effective through operation of law or otherwise with respect to such Mortgaged Property which, in either case, can be depicted on a survey, in which events, as applicable, such survey shall be dated (or redated) after the completion of such construction or if such construction shall not have been completed as of such date of delivery, not earlier than 30 days prior to such date of delivery, or after the grant or effectiveness of any such easement, right of way or other interest in the Mortgaged Property, (iii) certified by the surveyor (in a manner reasonably acceptable to the Administrative Agent) to the Administrative Agent, the Collateral Agent and the Title Company, (iv) complying in all respects with the minimum detail requirements of the American Land Title Association as such requirements are in effect on the date of preparation of such survey, (v) sufficient for the Title Company to remove all standard survey exceptions from the title insurance policy (or commitment) relating to such Mortgaged Property and issue the endorsements of the type required by Section 3.4(b)(2) and (vi) otherwise reasonably acceptable to the Collateral Agent.

"Title Company" shall mean any title insurance company as shall be retained by any Pledgor and reasonably acceptable to the Collateral Agent; provided that the Collateral Agent hereby acknowledges that Stewart Title Guaranty Company is acceptable to the Collateral Agent as a "Title Company".

"Trademarks" shall mean, collectively, with respect to each Pledgor, all trademarks (including service marks), slogans, logos, certification marks, trade dress, uniform resource locators (URL's), domain names, corporate names and trade names, whether registered or unregistered, owned by or assigned to such Pledgor and all registrations and applications for the foregoing (whether statutory or common law that is established or registered in the United States or any political subdivision thereof), together with any and all (i) rights and privileges arising under applicable law with respect to such trademarks, (ii) renewals thereof, (iii) income, fees, royalties, damages and payments now and hereafter due and/or payable thereunder and with respect thereto, including damages, claims and payments for past, present or future infringements thereof, (iv) rights corresponding thereto throughout the world and (v) rights to sue for past, present and future infringements thereof.

"Trademark Security Agreement" shall mean an agreement substantially in the form of Exhibit 6 hereto.

"Trustee" shall have the meaning assigned to such term in the Preamble hereof.

"TT&C Station" shall mean an earth station operated by the Issuer or any of its Restricted Subsidiaries for the purpose of providing tracking, telemetry, control and monitoring of any Satellite.

"UCC" shall mean the Uniform Commercial Code as in effect from time to time in the State of New York; provided, however, that, at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of the Collateral Agent's and the Secured

Parties' security interest in any item or portion of the Pledged Collateral or Foreign Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

SECTION 1.2. Interpretation. The rules of interpretation specified in Indenture (including Section 1.04 thereof) shall be applicable to this Agreement.

SECTION 1.3. Resolution of Drafting Ambiguities. Each Pledgor acknowledges and agrees that it was represented by counsel in connection with the execution and delivery hereof, that it and its counsel reviewed and participated in the preparation and negotiation hereof and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party (i.e., the Collateral Agent) shall not be employed in the interpretation hereof.

SECTION 1.4. Perfection Certificate. The Collateral Agent and each Secured Party agree that the Perfection Certificate and all descriptions of Pledged Collateral and Mortgaged Property, schedules, amendments and supplements thereto are and shall at all times remain a part of this Agreement.

ARTICLE II

GRANT OF SECURITY AND SECURED OBLIGATIONS

SECTION 2.1. Grant of Security Interest. (a) As collateral security for the payment and performance in full of all the Secured Obligations, each Pledgor hereby pledges and grants to the Collateral Agent for the benefit of the Secured Parties, a lien on and security interest in all of the right, title and interest of such Pledgor in, to and under the following property, wherever located, and whether now existing or hereafter arising or acquired from time to time (collectively, the "Collateral"):

(i) all of such Pledgor's Accounts;

(ii) all of such Pledgor's Equipment, Goods and Inventory;

(iii) all of such Pledgor's rights in respect of Documents, Instruments and Chattel Paper;

(iv) all of such Pledgor's Letters of Credit and Letter-of-Credit Rights;

(v) all of such Pledgor's Securities Collateral, subject to Section 11.14;

(vi) all of such Pledgor's Investment Property;

(vii) all Intellectual Property Collateral;

(viii) such Pledgor's interests with respect to the Commercial Tort Claims described on Schedule 12 to the Perfection Certificate;

(ix) all of such Pledgor's General Intangibles;

(x) all of such Pledgor's Money and all Deposit Accounts;

(xi) all of such Pledgor's Supporting Obligations;

(xii) all of such Pledgor's books and records relating to the Collateral;

(xiii) to the maximum extent permitted by law, all rights of such Pledgor against third parties, in each case, in, under or relating to the FCC Licenses, subject to Section 11.14, and the proceeds of any FCC Licenses, provided that such security interest does not include at any time any FCC Licenses to the extent (but only to the extent) that at such time the Collateral Trustee may not validly possess a security interest therein pursuant to the Communications Act of 1934, as amended, and the regulations promulgated thereunder, as in effect at such time, but such security interest does include, to the maximum extent permitted by law, all rights against third parties incident to the FCC Licenses, subject to Section 11.14, and the right to receive all proceeds derived from or in connection with the sale, assignment or transfer of the FCC Licenses;

(xiv) all of such Pledgor's Satellites and associated equipment, including all ground segment equipment for tracking, telemetry, control and monitoring of the Satellites located at any TT&C Station, subject to Section 11.14;

(xv) any of such Pledgor's rights with respect to any agreement relating to any of the Satellites or associated equipment referred to in the foregoing clause (xiv) (including any agreement for the purchase of any Satellite and any policy of insurance covering risk of loss or damage to any Satellite);

(xvi) to the extent not covered by clauses (i) through (xv) of this sentence, all other personal property of such Pledgor, whether tangible or intangible, and all Proceeds and products of each of the foregoing and all accessions to, substitutions and replacements for products of, each of the foregoing, any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Pledgor from time to time with respect to any of the foregoing.

Notwithstanding anything to the contrary contained in clauses (i) through (xvi) above, (a) the security interest created by this Agreement shall not extend to, and the term "Collateral" shall not include, any Excluded Property and (ii) the term Pledged Collateral shall not include any Excluded Property or any Foreign Collateral.

Notwithstanding anything to the contrary herein, no Pledgor shall be required to take any actions, other than the filings of the UCC-1 financing statements with respect to any Pledgor in the United States pursuant to Section 2.2(a), to perfect, preserve or protect the security interest in Foreign Collateral located outside of the United States, including for the avoidance of doubt, perfection in, preservation of or protection of any Intellectual Property Collateral, Intellectual Property Licenses or proprietary rights of any type or nature that are registered or exist outside of the United States and no representation, warranty or covenant shall apply to any such Foreign Collateral.

SECTION 2.2. Filings. (a) Each Pledgor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any relevant jurisdiction any financing statements (including fixture filings) and amendments thereto that contain the information required by Article 9 of the Uniform Commercial Code of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including (i) whether such Pledgor is an organization, the type of organization and any organizational identification number issued to such Pledgor, (ii) any financing or continuation statements or other documents without the signature of such Pledgor where permitted by law, including the filing of a financing statement describing the Collateral as "all assets now owned or hereafter acquired by the Pledgor or in which Pledgor otherwise has rights" and (iii) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Pledged Collateral relates. Each Pledgor agrees to provide all information described in the immediately preceding sentence to the Collateral Agent promptly upon request by the Collateral Agent.

(b) Each Pledgor hereby ratifies its authorization for the Collateral Agent to file in any relevant jurisdiction any financing statements relating to the Collateral if filed prior to the date hereof.

(c) Each Pledgor hereby further authorizes the Collateral Agent to file filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office or any similar office in any other country), including this Agreement, the Copyright Security Agreement, the Patent Security Agreement and the Trademark Security Agreement, or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by such Pledgor hereunder, without the signature of such Pledgor, and naming such Pledgor, as debtor, and the Collateral Agent, as secured party.

(d) Notwithstanding the foregoing authorizations, in no event shall the Collateral Agent be obligated to prepare or file any financing statements whatsoever, or to maintain the perfection of the security interest granted hereunder. Each Pledgor agrees to prepare, record and file, at its own expense, financing statements (and amendments or continuation statements

when applicable) with respect to the Collateral now existing or hereafter created meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect and maintain perfected the Collateral, and to deliver a file stamped copy of each such financing statement or other evidence of filing to the Collateral Agent. Neither the Trustee nor the Collateral Agent shall be under any obligation whatsoever to file any such financing or continuation statements or to make any other filing under the UCC in connection with this Agreement.

ARTICLE III

PERFECTION; SUPPLEMENTS; FURTHER ASSURANCES; USE OF PLEDGED COLLATERAL

SECTION 3.1. Delivery of Certificated Securities Collateral. Each Pledgor represents and warrants that all certificates, agreements or instruments representing or evidencing the Securities Collateral (other than Foreign Collateral or any Pledged Security credited on the books of a Clearing Corporation or a Securities Intermediary) in existence on the date hereof have been delivered to the Collateral Agent in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank and that the Collateral Agent has a perfected first priority security interest therein. Each Pledgor hereby agrees that all certificates, agreements or instruments representing or evidencing Securities Collateral (other than Foreign Collateral or any Pledged Security credited on the books of a Clearing Corporation or a Securities Intermediary) acquired by such Pledgor after the date hereof shall promptly (but in any event within thirty (30) days after receipt thereof by such Pledgor) be delivered to and held by or on behalf of the Collateral Agent pursuant hereto. All certificated Securities Collateral (other than Foreign Collateral) shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Collateral Agent. The Collateral Agent shall have the right, at any time upon the occurrence and during the continuance of any Event of Default, to endorse, assign or otherwise transfer to or to register in the name of the Collateral Agent or any of its nominees or endorse for negotiation any or all of the Securities Collateral (other than Foreign Collateral), without any indication that such Securities Collateral is subject to the security interest hereunder. In addition, upon the occurrence and during the continuance of an Event of Default, the Collateral Agent shall have the right at any time to exchange certificates representing or evidencing Securities Collateral (other than Foreign Collateral) for certificates of smaller or larger denominations.

SECTION 3.2. Perfection of Uncertificated Securities Collateral. Each Pledgor represents and warrants that the Collateral Agent has a perfected first priority security interest in all uncertificated Pledged Securities (other than Foreign Collateral) pledged by it hereunder that are in existence on the date hereof. Each Pledgor hereby agrees that if any of the Pledged Securities (other than Foreign Collateral) are at any time not evidenced by certificates of ownership, then each applicable Pledgor shall, to the extent permitted by applicable law, (i) cause, or

with respect to any issuer other than a Subsidiary of the Issuer, use commercially reasonable efforts to cause, the issuer to execute and deliver to the Collateral Agent an acknowledgment of the pledge of such Pledged Securities substantially in the form of Exhibit 1 hereto or such other form that is reasonably satisfactory to the Collateral Agent, (ii) if necessary or desirable to perfect a security interest in such Pledged Securities, use commercially reasonable efforts to cause such pledge to be recorded on the equityholder register or the books of the issuer, execute any customary pledge forms or other documents necessary or appropriate to complete the pledge and give the Collateral Agent the right to transfer such Pledged Securities under the terms hereof upon an Event of Default, and (iii) after the occurrence and during the continuance of any Event of Default upon the request of the Collateral Agent, as directed by the required Holders of the Notes pursuant to the Indenture, cause, or with respect to any issuer other than a Subsidiary of the Issuer, use commercially reasonable efforts to cause, (A) the Organizational Documents of each such issuer that is a Subsidiary of the Issuer to be amended to provide that such Pledged Securities shall be treated as "securities" for purposes of the UCC and (B) such Pledged Securities to become certificated and delivered to the Collateral Agent in accordance with the provisions of Section 3.1; provided, however, that with respect to any issuer other than a Subsidiary of the Issuer such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and any other reasonable and customary costs required to satisfy the items set forth in clauses (i), (ii) and (iii) of this Section 3.2, but specifically excluding the payment of any consideration or other compensation to any issuer or any other person).

SECTION 3.3. Financing Statements and Other Filings; Maintenance of Perfected Security Interest. Each Pledgor represents and warrants that all financing statements, agreements, instruments and other documents necessary to perfect the security interest granted by it to the Collateral Agent in respect of the Pledged Collateral have been delivered to the Collateral Agent in completed and, to the extent necessary or appropriate, duly executed form for filing in each governmental, municipal or other office specified in Schedule 6 to the Perfection Certificate. Each Pledgor agrees that at the sole cost and expense of the Pledgors, such Pledgor will maintain the security interest created by this Agreement in the Pledged Collateral as a perfected first priority security interest subject only to Permitted Liens and file all UCC-3 continuations statements necessary to continue the perfection of the security interest created by this Agreement.

SECTION 3.4. Real Estate Collateral. Subject to the other terms and conditions of this Section 3.4,

(a) The Secured Obligations shall be secured by Mortgages upon all Mortgaged Property and Fixtures related to such Mortgaged Property (other than Excluded Property), as additional security for the Secured Obligations.

(b) In connection with the provision of a Mortgage on each Mortgaged Property described in clause (i) of the definition of “Mortgaged Property” the related Pledgor

will provide to the Collateral Agent within sixty (60) days of the execution and delivery of this Agreement:

(1) a Mortgage encumbering each such Mortgaged Property in favor of the Collateral Agent, for the benefit of the Secured Parties, duly executed and acknowledged by each Pledgor that is the owner of a fee interest in such Mortgaged Property, substantially in the form of Exhibit 10 hereto and otherwise in the form sufficient for recording in the recording office of each applicable jurisdiction where each such Mortgaged Property is situated and sufficient to create a first priority lien under the laws or requirements of the applicable jurisdiction, together with such financing statements and any other instruments necessary to grant a mortgage lien under the laws or requirements of the applicable jurisdiction, which shall be in form and substance reasonably satisfactory to the Collateral Agent;

(2) with respect to each such Mortgage, a policy of title insurance (or marked up title insurance commitment having the effect of a policy of title insurance) insuring the lien of such Mortgage as a valid first mortgage lien on such Mortgaged Property and Fixtures described therein in the amount equal to not less than the fair market value (determined based on assessed tax value) of such Mortgaged Property and Fixtures, which policy (or such marked-up commitment) (each, a “Title Policy”) shall (A) be issued by the Title Company, (B) to the extent necessary, include such reinsurance arrangements (with provisions for direct access, if necessary) as shall be reasonably acceptable to the Collateral Agent, (C) contain a “tie-in” or “cluster” endorsement, if available under applicable law (*i.e.*, policies which insure against losses regardless of location or allocated value of the insured property up to a stated maximum coverage amount), (D) have been supplemented by such other endorsements as shall be reasonably requested by the Collateral Agent (including endorsements on matters relating to usury, first loss, last dollar, contiguity, future advances, doing business, public road access, variable rate, environmental lien, subdivision, mortgage recording tax, separate tax lot and so-called comprehensive coverage over covenants and restrictions, but specifically excluding any endorsement on matters relating to zoning), in each case to the extent available at commercially reasonable rates, and (E) contain no exceptions to title other than Permitted Liens or other exceptions acceptable to the Collateral Agent;

(3) with respect to each such Mortgaged Property, such affidavits, certificates, information (including financial data) and instruments of indemnification (including a so-called “gap” indemnification) as may customarily be required by the Title Company to issue the Title Policy and endorsements contemplated in Section 3.4(b)(2) above;

(4) with respect to each such Mortgaged Property, either (x) a Survey or (y) a Title Policy related to such Mortgaged Property with all standard survey exceptions removed;

(5) evidence reasonably acceptable to the Collateral Agent of payment by (or on behalf of) the Pledgor of all Title Policy premiums, search and examination charges, escrow charges and related charges, mortgage recording taxes, fees, charges, costs and expenses required for the recording of the Mortgage and issuance of the Title Policy referred to above;

(6) with respect to each such Mortgaged Property, copies of all Leases in which any Pledgor holds the lessor’s interest or other agreements relating to possessory interests, if any; provided that all such Leases or other agreement in respect of such Mortgaged Property shall be subordinate to the lien of the Mortgage to be recorded against such Mortgaged Property, either expressly by its terms or pursuant to a subordination, non-disturbance and attornment agreement in such form and substance as required by the applicable Lease or as otherwise reasonably acceptable to the Collateral Agent;

(7) with respect to each such Mortgaged Property, a zoning report issued by the Planning and Zoning Resource Corporation or such other zoning consultant that is reasonably acceptable to the Collateral Agent; and

(8) a local counsel opinion with respect to each such Mortgaged Property with respect to the enforceability of the Mortgage and any related fixture filing, in form and substance reasonably satisfactory to the Collateral Agent.

(c) After Acquired Leasehold Property. Notwithstanding anything to the contrary contained in Sections 3.4(a) or (b) above or elsewhere in this Agreement, with respect to any leasehold interest in Real Property described in clause (ii)(y) of the definition of “Mortgaged Property” acquired after the date hereof (unless the subject leasehold interest is already mortgaged to a third party to the extent permitted by the Indenture), the related Pledgor will use commercially reasonable efforts to obtain (i) a consent agreement executed by the lessor or sublessor of such Real Property, to the extent such consent is required pursuant to the terms of the applicable lease, and (ii) (y) evidence that the applicable lease with respect to such leasehold interest or a memorandum thereof has been recorded in the jurisdiction in which such Real Property is situated or (z) if such leasehold interest was acquired or subleased from the holder of a recorded leasehold interest, the applicable assignment or sublease document, executed and acknowledged by such holder provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney’s fees and expenses, but specifically excluding the payment of any consideration or other compensation to any lessor, owner or sublessor of such Real Property). In the event that a Pledgor is able to obtain the documents required pursuant to clauses (i) and (ii) above, such

Pledgor shall promptly grant to the Collateral Agent, within sixty (60) days of the acquisition thereof or such later date as may be reasonably agreed to by the Collateral Agent as directed by the required Holders of the Notes pursuant to the Indenture, a security interest in and Mortgage on such leasehold interest in Real Property as additional security for the Secured Obligations. Such Mortgage shall be granted pursuant to a Mortgage substantially in the form of Exhibit 10 hereto (as modified to reflect the fact that the Mortgage secures a leasehold interest only) and shall constitute a valid and enforceable perfected lien subject only to Permitted Liens. Such Mortgage shall be duly recorded or filed in applicable recording and/or filing offices of the county in which such Mortgaged Property is situated and all taxes, fees and other charges payable in connection therewith shall be paid in full. Such Pledgor shall otherwise take such actions and execute and/or deliver to Collateral Agent such documents as are set forth in Section 3.4(b) above, in each case as modified to reflect the fact that the Mortgaged Property is a leasehold interest only.

(d) After Acquired Owned Real Property. Each Pledgor shall promptly grant to the Collateral Agent, within sixty (60) days of the acquisition thereof or such later date as may be reasonably agreed to by the Collateral Agent, a security interest in and Mortgage on each fee interest in Real Property described in clause (ii)(x) of the definition of "Mortgaged Property" acquired by such Pledgor after the date hereof as additional security for the Secured Obligations (unless the subject Real Property is already mortgaged to a third party to the extent permitted by the Indenture). Such Mortgage shall be granted pursuant to a Mortgage substantially in the form of Exhibit 10 and the Mortgage documentation previously delivered in connection with the existing Mortgaged Property (including a Title Policy with all standard survey exceptions removed (or a Title Policy with survey exceptions and a Survey) and a local counsel opinion) and shall constitute a valid and enforceable perfected lien subject only to Permitted Liens. Such Mortgage or instruments related thereto shall be duly recorded or filed in applicable recording and/or filing offices of the county in which such Mortgaged Property is situated and all taxes, fees and other charges payable in connection therewith shall be paid in full. Such Pledgor shall otherwise take such actions and execute and/or deliver to the Collateral Agent such documents as are set forth in Section 3.4(b) above.

SECTION 3.5. Other Actions. In order to further ensure the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Collateral Agent's security interest in the Pledged Collateral, each Pledgor represents and warrants (as to itself) as follows and agrees, in each case at such Pledgor's own expense, to take the following actions with respect to the following Pledged Collateral:

(a) Instruments and Tangible Chattel Paper. As of the date hereof, no amounts payable under or in connection with any of the Pledged Collateral are evidenced by any Instrument or Tangible Chattel Paper other than such Instruments and Tangible Chattel Paper listed in Schedule 10 to the Perfection Certificate, in each case in an amount in excess of $300,000 (other than checks and other payment instruments received and collected in the Ordinary Course of Business). Each Instrument and each item of

Tangible Chattel Paper listed in Schedule 10 to the Perfection Certificate has been properly endorsed, assigned and delivered to the Collateral Agent, accompanied by instruments of transfer or assignment duly executed in blank. If any amount then payable under or in connection with any of the Pledged Collateral shall be evidenced by any Instrument or Tangible Chattel Paper, and such amount, together with all amounts payable evidenced by any Instrument or Tangible Chattel Paper outstanding at such time (other than checks and other payment instruments received and collected in the Ordinary Course of Business) and not previously delivered to the Collateral Agent exceeds $1,000,000 in the aggregate for all Pledgors, the Pledgor acquiring such Instrument or Tangible Chattel Paper shall promptly (but in any event within thirty (30) days after receipt thereof) endorse, assign and deliver the same to the Collateral Agent, accompanied by such instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time specify.

(b) Deposit Accounts. As of the date hereof, no Pledgor has any Deposit Accounts other than the accounts listed in Schedule 13 to the Perfection Certificate. Assuming the due execution of the Deposit Account Control Agreements (to the extent possible after using commercially reasonable efforts), the Collateral Agent has a first priority security interest in each such Deposit Account (other than Excluded Accounts), which security interest is perfected by Control. To the extent a Pledgor establishes or maintains any Deposit Account with any Bank (other than Excluded Accounts), such Pledgor shall use commercially reasonable efforts to have duly executed and delivered a Control Agreement with respect to such Deposit Account within the later of (i) sixty (60) days following the Closing Date with respect to such Deposit Account existing on the Closing Date or (ii) sixty (60) days after any such Deposit Account is established, provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and expenses, but specifically excluding the payment of any consideration or other compensation to any person). The Collateral Agent agrees with each Pledgor that the Collateral Agent shall not give any instructions directing the disposition of funds from time to time credited to any Deposit Account or withhold any withdrawal rights from such Pledgor with respect to funds from time to time credited to any Deposit Account unless an Event of Default has occurred and is continuing. Each Pledgor agrees that once the Collateral Agent, after the occurrence and during the continuation of an Event of Default, sends an instruction or notice to a Bank (with a copy to the applicable Pledgor) exercising its Control over any Deposit Account subject to a Deposit Account Control Agreement such Pledgor shall not give any instructions or orders with respect to such Deposit Account including, without limitation, instructions for distribution or transfer of any funds in such Deposit Account as long as such Event of Default is continuing, and the Collateral Agent agrees that promptly after such Event of Default shall have ceased to exist in accordance with the terms of the Indenture or Additional Secured Agreement and the Issuer has delivered to the Collateral Agent a certificate to that effect, the Collateral Agent shall use commercially reasonable efforts to deliver written notice to the Bank rescinding the applicable

instruction or notice, at which point the Pledgor's right to give any instructions or orders with respect to such Deposit Account shall be reinstated. No Pledgor shall grant Control of any Deposit Account (other than any Excluded Account) to any person other than the Collateral Agent.

(c) Securities Accounts and Commodity Accounts. (a) As of the date hereof, other than Excluded Accounts, no Pledgor has any Securities Accounts or Commodity Accounts other than those listed in Schedule 13 to the Perfection Certificate. Assuming the due execution of the respective Securities Account Control Agreements or Commodity Account Control Agreements (to the extent possible after using commercially reasonable efforts), the Collateral Agent has a first priority security interest in each such Securities Account and Commodity Account, which security interest is perfected by Control. To the extent a Pledgor establishes or maintains any Securities Account or Commodity Account with any Securities

Intermediary or Commodity Intermediary, such Pledgor shall use commercially reasonable efforts to have duly executed and delivered a Control Agreement with respect to such Securities Account or Commodity Account, as the case may be, within the later of (i) sixty (60) days following the Closing Date with respect to such Securities Account or Commodity Account existing on the Closing Date or (ii) sixty (60) days after any such Securities Account or Commodity Account is established, provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and expenses, but specifically excluding the payment of any consideration or other compensation to any person). The Collateral Agent agrees with each Pledgor that the Collateral Agent shall not give any Entitlement Orders or instructions or directions to any issuer of uncertificated securities, Securities Intermediary or Commodity Intermediary, and shall not withhold its consent to the exercise of any withdrawal or dealing rights by such Pledgor, unless an Event of Default has occurred and is continuing or, after giving effect to any such investment and withdrawal rights, would occur. Each Pledgor agrees that once the Collateral Agent, after the occurrence and during the continuation of an Event of Default, sends an instruction or notice to a Securities Intermediary or Commodity Intermediary (with a copy to the applicable Pledgor) exercising its Control over any Securities Account and Commodity Account such Pledgor shall not give any instructions or orders with respect to such Securities Account and Commodity Account including, without limitation, instructions for investment, distribution or transfer of any Investment Property or financial asset maintained in such Securities Account or Commodity Account as long as an Event of Default is continuing, and the Collateral Agent agrees that promptly after such Event of Default shall have ceased to exist in accordance with the terms of the Indenture or Additional Secured Agreement and the Issuer has delivered to the Collateral Agent a certificate to that effect, the Collateral Agent shall use commercially reasonable efforts to deliver written notice to the Securities Intermediary or Commodity Intermediary rescinding the applicable instruction or notice, at which point the Pledgor's right to give any instructions or orders with respect to such Securities Account or Commodity Account shall be reinstated. No Pledgor shall grant Control over any Investment Property to any person

other than the Collateral Agent or a holder of a Permitted Lien. None of the preceding provisions of this Section 3.5(c) shall apply to any Excluded Accounts.

(ii) Subject to Section 11.1(b), as between the Collateral Agent and the Pledgors, the Pledgors shall bear the investment risk with respect to the Investment Property and Pledged Securities, and the risk of loss of, damage to, or the destruction of the Investment Property and Pledged Securities, whether in the possession of, or maintained as a Security Entitlement or deposit by, or subject to the Control of, the Collateral Agent, a Securities Intermediary, a Commodity Intermediary, any Pledgor or any other person.

(d) <u>Electronic Chattel Paper and Transferable Records</u>. As of the date hereof, no amount under or in connection with any of the Pledged Collateral in excess of $2,000,000 in the aggregate for all Pledgors is evidenced by any Electronic Chattel Paper or any "transferable record" (as that term is defined in Section 201 of the Federal Electronic Signatures in Global and National Commerce Act, or in Section 16 of the Uniform Electronic Transactions Act as in effect in any relevant jurisdiction) other than such Electronic Chattel Paper and transferable records listed in <u>Schedule 10</u> to the Perfection Certificate. If any amount payable under or in connection with any of the Pledged Collateral shall be evidenced by any Electronic Chattel Paper or any transferable record, the Pledgor acquiring such Electronic Chattel Paper or transferable record shall promptly notify the Collateral Agent thereof and shall use commercially reasonable efforts to take such action to vest in the Collateral Agent control of such Electronic Chattel Paper under Section 9-105 of the UCC or control under Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or, as the case may be, Section 16 of the Uniform Electronic Transactions Act, as so in effect in such jurisdiction, of such transferable record, provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and expenses, but specifically excluding the payment of any consideration or other compensation to any person). The requirement in the preceding sentence shall not apply to the extent that such amount, together with all amounts payable evidenced by Electronic Chattel Paper or any transferable record in which the Collateral Agent has not been vested control within the meaning of the statutes described in the immediately preceding sentence, does not exceed $2,000,000 in the aggregate for all Pledgors. The Collateral Agent agrees with such Pledgor that the Collateral Agent will arrange, pursuant to procedures satisfactory to the Collateral Agent and so long as such procedures will not result in the Collateral Agent's loss of control, for the Pledgor to make alterations to the Electronic Chattel Paper or transferable record permitted under Section 9-105 of the UCC or, as the case may be, Section 201 of the Federal Electronic Signatures in Global and National Commerce Act or Section 16 of the Uniform Electronic Transactions Act for a party in control to allow without loss of control, unless an Event of Default has occurred and is continuing or would occur after taking into account any action by such Pledgor with respect to such Electronic Chattel Paper or transferable record.

(e) <u>Letter-of-Credit Rights</u>. If any Pledgor is at any time a beneficiary under a Letter of Credit now or hereafter issued in a stated amount in excess of $100,000, such Pledgor shall promptly notify the Collateral Agent thereof and use commercially reasonable efforts to either (i) arrange for the issuer and any confirmer of such Letter of Credit to consent to an assignment to the Collateral Agent of the proceeds of any drawing under the Letter of Credit or (ii) arrange for the Collateral Agent to become the transferee beneficiary of such Letter of Credit, with the Collateral Agent agreeing, in each case, that, during the continuance of an Event of Default, the proceeds of any drawing under the Letter of Credit are to be applied as provided in Section 10.1; provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and expenses and any other reasonable and customary costs required to satisfy the items set forth in clauses (i) or (ii) of this Section 3.5(e), but specifically excluding the payment of any consideration or other compensation to any such issuer or confirmer or any other person). The actions in the preceding sentence shall not be required to the extent that the amount of any such Letter of Credit, together with the aggregate amount of all other Letters of Credit for which the actions described above in clauses (i) and (ii) have not been taken, does not exceed $5,000,000 in the aggregate for all Pledgors.

(f) <u>Commercial Tort Claims</u>. As of the date hereof, each Pledgor hereby represents and warrants that it holds no Commercial Tort Claims in an amount in excess of $500,000 individually other than those listed in <u>Schedule 12</u> to the Perfection Certificate. If any Pledgor shall at any time hold or acquire a Commercial Tort Claim, such Pledgor shall promptly (in any event within thirty (30) days after acquisition thereof) notify the Collateral Agent in writing signed by such Pledgor of the brief details thereof and grant to the Collateral Agent in such writing a security interest therein and in the Proceeds thereof, all upon the terms of this Agreement, with such writing to be in such form and substance as is reasonably necessary to grant a security interest in such Commercial Tort Claim. The requirement in the preceding sentence shall not apply to the extent that the amount of such Commercial Tort Claim, together with the amount of all other Commercial Tort Claims held by any Pledgor in which the Collateral Agent does not have a security interest, does not exceed $5,000,000 in the aggregate for all Pledgors.

(g) Landlord's Access Agreements/Bailee Letters. Each Pledgor shall use its commercially reasonable efforts to obtain as soon as reasonably practicable after the date hereof, with respect to each location set forth in Schedule 1 hereto, where such Pledgor maintains Pledged Collateral, a Bailee Letter and/or Landlord Access Agreement, as applicable; provided that such Pledgor shall not be required to use any efforts to obtain a Bailee Letter or a Landlord Access Agreement if the value of the Pledged Collateral held by such bailee (or located in such leased location, as applicable) is less than $2,500,000, so long as the aggregate value of the Pledged Collateral held at all locations set forth in Schedule 1 hereto with respect to which neither a Bailee Letter nor a Landlord Access Agreement has been delivered is less than $5,000,000 in the aggregate; provided further

that such commercially reasonable efforts shall not require any Pledgor to make any out-of-pocket expenditures (other than reasonable attorney's fees and any other reasonable and customary costs required to obtain the items set forth in this Section 3.5(g), but specifically excluding the payment of any consideration or other compensation to any bailee or landlord or any other person).

(h) Motor Vehicles. Upon the request of the Collateral Agent as directed by the required Holders of the Notes pursuant to the Indenture, each Pledgor shall deliver to the Collateral Agent originals of the certificates of title or ownership for the motor vehicles (and any other Equipment covered by certificates of title or ownership) owned by it, with the Collateral Agent listed as lienholder therein. Such requirement shall not apply if any such motor vehicle (or any such other Equipment) is valued at less than $100,000, provided that the aggregate value of all motor vehicles (and such Equipment) as to which any Pledgor has not delivered a certificate of title or ownership is less than $1,000,000.

SECTION 3.6. Joinder of Additional Guarantors. The Pledgors shall cause each Subsidiary of the Issuer which, from time to time, after the date hereof shall be required to pledge any assets to the Collateral Agent for the benefit of the Secured Parties pursuant to the provisions of any Secured Agreement, (a) to execute and deliver to the Collateral Agent (i) a Joinder Agreement substantially in the form of Exhibit 3 hereto and (ii) a Perfection Certificate, in each case, within thirty (30) days of the date on which it was acquired or created or (b) in the case of a Subsidiary organized outside of the United States required to pledge any assets to the Collateral Agent, to execute and deliver to the Collateral Agent such documentation as the Collateral Agent shall reasonably request and, in each case with respect to clauses (a) and (b) above, upon such execution and delivery, such Subsidiary shall constitute a "Pledgor" for all purposes hereunder with the same force and effect as if originally named as a Guarantor and Pledgor herein. The execution and delivery of such Joinder Agreement shall not require the consent of any Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Pledgor as a party to this Agreement.

SECTION 3.7. Supplements; Further Assurances. Each Pledgor shall take such further actions, and execute and/or deliver to the Collateral Agent such additional financing statements, amendments, assignments, agreements, supplements, powers and instruments, as is reasonably necessary or appropriate in order to create, perfect, preserve and protect the security interest in the Pledged Collateral as provided herein and the rights and interests granted to the Collateral Agent hereunder, to carry into effect the purposes hereof or better to assure and confirm the validity, enforceability and priority of the Collateral Agent's security interest in the Pledged Collateral or permit the Collateral Agent to exercise and enforce its rights, powers and remedies hereunder with respect to any Pledged Collateral, including the filing of financing statements, continuation statements and other documents (including this Agreement) under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interest created hereby and the execution and delivery of Control Agreements, all in form and substance reasonably satisfactory to the Collateral Agent and in such offices (including the United States Patent and Trademark Office and the United States Copyright Office) wherever

required by law to perfect, continue and maintain the validity, enforceability and priority of the security interest in the Pledged Collateral as provided herein and to preserve the other rights and interests granted to the Collateral Agent hereunder, as against third parties, with respect to the Pledged Collateral. Without limiting the generality of the foregoing, each Pledgor shall make, execute, endorse, acknowledge, file or refile and/or deliver to the Collateral Agent from time to time upon reasonable request by the Collateral Agent such lists, schedules, descriptions and designations of the Pledged Collateral, copies of warehouse receipts, receipts in the nature of warehouse receipts, bills of lading, documents of title, vouchers, invoices, schedules, confirmatory assignments, supplements, additional security agreements, conveyances, financing statements, transfer endorsements, powers of attorney, certificates, reports and other assurances or instruments as the Collateral Agent shall reasonably request. If an Event of Default has occurred and is continuing, the Collateral Agent may institute and maintain, in its own name or in the name of any Pledgor, such suits and proceedings as the Collateral Agent may be advised by counsel shall be necessary or expedient to prevent any impairment of the security interest in or the perfection thereof in the Pledged Collateral. All of the foregoing shall be at the sole cost and expense of the Pledgors.

SECTION 3.8. Satellite Leasehold Interests. With respect to leases of Satellites, each Pledgor will use its commercially reasonable efforts to obtain the consent of the lessor or sublessor of each such lease to the grant of a security interest in such lease pursuant hereto and exercise of remedies with respect to any such lease pursuant hereto, within (i) 180 days following the Closing Date with respect to such leases existing on the Closing Date and (ii) 180 days after entering into a new lease agreement with respect to a Satellite, provided that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and any other reasonable and customary costs to obtain the items set forth in this Section 3.8, but specifically excluding the payment of any consideration or other compensation to the lessor or sublessor of each such lease).

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

Each Pledgor represents, warrants and covenants as follows:

SECTION 4.1. Title. Except for the security interest granted to the Collateral Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and Permitted Liens, such Pledgor owns and has rights and, as to Pledged Collateral acquired by it from time to time after the date hereof, will own and have rights in each item of Pledged Collateral pledged by it hereunder, free and clear of any and all Liens or claims of others, other than

Permitted Liens. Each Pledgor has good and marketable title to (or valid leasehold interests in) all of its Mortgaged Property, and all Fixtures purported to be owned by it, in each case free of Liens except Permitted Liens.

SECTION 4.2. Validity of Security Interest. The security interest in and Lien on the Pledged Collateral and Mortgaged Property granted to the Collateral Agent for the benefit of the Secured Parties hereunder constitutes (a) a legal and valid security interest in all the Pledged Collateral and Mortgaged Property securing the payment of the Secured Obligations, and (b) subject to the filings and other actions described in Schedule 6 to the Perfection Certificate (to the extent required to be listed on the schedules to the Perfection Certificate as of the date this representation is made or deemed made), a perfected security interest in all the Pledged Collateral and Mortgaged Property. The security interest and Lien granted to the Collateral Agent for the benefit of the Secured Parties pursuant to this Agreement in and on the Pledged Collateral and Mortgaged Property will at all times constitute a perfected, continuing security interest therein, prior to all other Liens on the Pledged Collateral and Mortgaged Property except for Permitted Liens.

SECTION 4.3. Defense of Claims; Transferability of Pledged Collateral. Subject to the provisions of the Indenture, each Pledgor shall, at its own cost and expense, defend title to the Pledged Collateral pledged by it hereunder and the security interest therein and Lien thereon granted to the Collateral Agent and the priority thereof against all claims and demands of all persons, at its own cost and expense, at any time claiming any interest therein adverse to the Collateral Agent or any other Secured Party other than Permitted Liens. There is no agreement, order, judgment or decree, and no Pledgor shall enter into any agreement or take any other action, that would restrict the transferability of any of the Pledged Collateral or otherwise impair or conflict with such Pledgor's obligations or the rights of the Collateral Agent hereunder.

SECTION 4.4. Other Financing Statements. It has not filed, nor authorized any third party to file (nor will there be), any valid or effective financing statement (or similar statement, instrument of registration or public notice under the law of any jurisdiction) covering or purporting to cover any interest of any kind in the Pledged Collateral, except such as have been filed in favor of the Collateral Agent pursuant to this Agreement or in favor of any holder of a Permitted Lien with respect to such Permitted Lien or financing statements or public notices relating to the termination statements listed on Schedule 8 to the Perfection Certificate. No Pledgor shall execute, authorize or permit to be filed in any public office any financing statement (or similar statement, instrument of registration or public notice under the law of any jurisdiction) relating to any Pledged Collateral, except financing statements and other statements and instruments filed or to be filed in respect of and covering the security interests granted by such Pledgor to the holder of the Permitted Liens.

SECTION 4.5. Chief Executive Office; Change of Name; Jurisdiction of Organization.

(a) No Pledgor will effect any change (i) to its legal name, (ii) in the location of any Pledgor's chief executive office, (iii) in its identity or organizational structure, (iv) in its organizational identification number, if any, or (v) in its jurisdiction of organization (in each case, including by merging with or into any other entity, reorganizing, dissolving, liquidating, reorganizing or organizing in any other jurisdiction), unless (A) it shall have given the Collateral

Agent not less than 10 days prior (or such lesser period agreed to by the Collateral Agent) written notice of its intention to do so and clearly describing such change and providing such other information in connection therewith as necessary and appropriate and as the Collateral Agent may reasonably request and (B) it shall have taken all action reasonably necessary to maintain the perfection and priority of the security interest of the Collateral Agent for the benefit of the Secured Parties in the Collateral, if applicable. Each Pledgor agrees to promptly provide the Collateral Agent with certified Organizational Documents reflecting any of the changes described in the preceding sentence. Each Pledgor also agrees to promptly notify the Collateral Agent of any change in the location of any office in which it maintains books or records relating to Pledged Collateral owned by it or any office or facility at which Pledged Collateral is located (including the establishment of any such new office or facility) other than changes in location to a Mortgaged Property or a leased property subject to a Landlord Access Agreement.

(b) The Collateral Agent shall have no duty to inquire about any of the changes described in clause (a) above.

SECTION 4.6. Location of Inventory and Equipment. Except for goods in transit and except as necessary in the Ordinary Course of Business, it shall not move any Equipment or Inventory with an aggregate value in excess of $500,000 to any location, other than any location that is listed in the relevant Schedules to the Perfection Certificate, unless (i) it shall have given the Collateral Agent not less than fifteen (15) days' prior written notice of its intention so to do, clearly describing such new location and providing such other information in connection therewith as may be reasonably necessary and appropriate and as the Collateral Agent may reasonably request and (ii) to the extent required by Section 3.5(g) with respect to such new location, such Pledgor shall agree to use commercially reasonable efforts to reasonably promptly obtain a Bailee Letter or Landlord Access Agreement, in accordance with Section 3.5(g); provided that in no event shall any Equipment or Inventory be moved to any location outside of the continental United States.

SECTION 4.7. Due Authorization and Issuance. All of the Pledged Securities (other than Foreign Collateral) that are Equity Interests issued by the Pledgors existing on the date hereof have been, and to the extent any such Pledged Securities are hereafter issued, such Pledged Securities will be, upon such issuance, duly authorized, validly issued and fully paid and non-assessable to the extent applicable. There is no amount or other obligation owing by any Pledgor to the issuer of such Pledged Securities (other than Foreign Collateral) in exchange for or in connection with the issuance of the Pledged Securities or any Pledgor's status as a partner or a member of any issuer of the Pledged Securities.

SECTION 4.8. Consents, etc. In the event that the Collateral Agent desires to exercise any remedies, voting or consensual rights or attorney-in-fact powers set forth in this Agreement and determines it necessary to obtain any approvals or consents of any Governmental Authority or any other person therefor, then, upon the reasonable request of the Collateral Agent, such Pledgor agrees to use its commercially reasonable efforts to assist and aid the Collateral Agent to obtain as soon as practicable any necessary approvals or consents for the exercise of any such remedies, rights and powers; provided, however, that such commercially reasonable efforts shall not require any Pledgor to make out-of-pocket expenditures (other than reasonable attorney's fees and expenses and any other reasonable and customary costs required to obtain such necessary approvals or consents, but specifically excluding the payment of any consideration or other compensation to any person).

SECTION 4.9. Pledged Collateral and Mortgaged Property. All information set forth herein, including the schedules hereto, and all information contained in any documents, schedules and lists heretofore delivered to any Secured Party, including the Perfection Certificate and the schedules thereto, in connection with this Agreement, in each case, relating to the Pledged Collateral and Mortgaged Property, is accurate and complete in all material respects. The Pledged Collateral and Mortgaged Property described on the schedules to the Perfection Certificate constitutes all of the property of such type of Pledged Collateral and Mortgaged Property owned or held by the Pledgors.

SECTION 4.10. Insurance. In the event that the proceeds of any insurance claim are paid to any Pledgor after the Collateral Agent has exercised its right to foreclose after an Event of Default, such Net Cash Proceeds shall be held in trust for the benefit of the Collateral Agent and immediately after receipt thereof shall be paid to the Collateral Agent for application in accordance with Section 10.1.

ARTICLE V

CERTAIN PROVISIONS CONCERNING SECURITIES COLLATERAL

SECTION 5.1. Pledge of Additional Securities Collateral. Each Pledgor shall, upon obtaining any Pledged Securities (other than Foreign Collateral) or Intercompany Notes of any person, accept the same in trust for the benefit of the Collateral Agent and promptly (but in any event within five Business Days after receipt thereof) deliver to the Collateral Agent a pledge amendment, duly executed by such Pledgor, in substantially the form of Exhibit 2 hereto (each, a "Pledge Amendment"), and the certificates and other documents required under Section 3.1 and Section 3.2 hereof in respect of the additional Pledged Securities or Intercompany Notes which are to be pledged pursuant to this Agreement, and confirming the attachment of the Lien hereby created on and in respect of such additional Pledged Securities or Intercompany Notes. Each Pledgor hereby authorizes the Collateral Agent to attach each Pledge Amendment to this Agreement and agrees that all Pledged Securities (other than Foreign Collateral) or Intercompany Notes listed on any Pledge Amendment delivered to the Collateral Agent shall for all purposes hereunder be considered Pledged Collateral.

SECTION 5.2. Voting Rights; Distributions; etc.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Securities Collateral or any part thereof for any purpose not inconsistent with the terms or purposes hereof, the Secured Agreements or any other document evidencing the Secured Obligations; provided, however, that no Pledgor shall in any event exercise such rights in any manner which could reasonably be expected to have a material adverse effect on the ability of the Pledgors to satisfy their obligations under the Secured Agreements or on the Collateral Agent's ability to exercise its rights and remedies under the Secured Agreements.

(ii) Each Pledgor shall be entitled to receive and retain, and to utilize free and clear of the Lien hereof, any and all Distributions, but only if and to the extent made in accordance with the provisions of the Secured Agreements; provided, however, that any and all such Distributions (other than Foreign Collateral) consisting of rights or interests in the form of securities shall be forthwith delivered to the Collateral Agent to hold as Pledged Collateral and shall, if received by any Pledgor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of such Pledgor and be promptly (but in any event within five Business Days after receipt thereof) delivered to the Collateral Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

(b) So long as no Event of Default shall have occurred and be continuing, the Collateral Agent shall be deemed without further action or formality to have granted to each Pledgor all necessary consents relating to voting rights and shall, if necessary, upon written request of any Pledgor and at the sole cost and expense of the Pledgors, from time to time execute and deliver (or cause to be executed and delivered) to such Pledgor all such instruments as such Pledgor may reasonably request in order to permit such Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to Section 5.2(a)(i) hereof and to receive the Distributions which it is authorized to receive and retain pursuant to Section 5.2(a)(ii) hereof.

(c) Upon the occurrence and during the continuance of any Event of Default:

(i) All rights of such Pledgor to exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 5.2(a)(i) hereof shall immediately cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall thereupon have the sole right to exercise such voting and other consensual rights.

(ii) All rights of such Pledgor to receive Distributions which it would otherwise be authorized to receive and retain pursuant to Section 5.2(a)(ii) hereof shall immediately cease and all such rights shall thereupon become vested in the Collateral Agent, which shall thereupon have the sole right to receive and hold as Pledged Collateral such Distributions.

(d) Each Pledgor shall, at its sole cost and expense, from time to time execute and deliver to the Collateral Agent appropriate instruments as the Collateral Agent may reasonably request in order to permit the Collateral Agent to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 5.2(c)(i) hereof and to receive all Distributions (other than Foreign Collateral) which it may be entitled to receive under Section 5.2(c)(ii) hereof.

(e) All Distributions (other than Foreign Collateral) which are received by any Pledgor contrary to the provisions of Section 5.2(a)(ii) hereof shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of such Pledgor and shall immediately be paid over to the Collateral Agent as Pledged Collateral in the same form as so received (with any necessary endorsement).

SECTION 5.3. Defaults, etc. Each Pledgor hereby represents and warrants that (i) such Pledgor is not in default in the payment of any portion of any mandatory capital contribution, if any, required to be made under any agreement to which such Pledgor is a party relating to the Pledged Securities (other than Foreign Collateral) pledged by it that are Equity Interests issued by the Pledgors existing on the date hereof, and such Pledgor is not in violation of any other provisions of any such agreement to which such Pledgor is a party, or otherwise in default or violation thereunder and (ii) no Securities Collateral (other than Foreign Collateral) pledged by such Pledgor is subject to any defense, offset or counterclaim that has been asserted or alleged against such Pledgor by any person with respect thereto.

SECTION 5.4. Certain Agreements of Pledgors as Issuers and Holders of Equity Interests.

(a) In the case of each Pledgor which is an issuer of Securities Collateral, such Pledgor agrees to be bound by the terms of this Agreement relating to the Securities Collateral issued by it and will comply with such terms insofar as such terms are applicable to it to the extent permitted by law.

(b) In the case of each Pledgor which is a partner, shareholder or member, as the case may be, in a partnership, limited liability company or other entity, to the extent permitted by law such Pledgor hereby consents to the extent required by the applicable Organizational Document to the pledge by each other Pledgor, pursuant to the terms hereof, of the Pledged Securities in such partnership, limited liability company or other entity and, upon the occurrence and during the continuance of an Event of Default, to the transfer of such Pledged Securities to the Collateral Agent or its nominee and to the substitution of the Collateral Agent or its nominee as a substituted partner, shareholder or member in such partnership, limited liability company or other entity with all the rights, powers and duties of a general partner, limited partner, shareholder or member, as the case may be.

ARTICLE VI

CERTAIN PROVISIONS CONCERNING INTELLECTUAL PROPERTY COLLATERAL

SECTION 6.1. Grant of Intellectual Property License. For the purpose of enabling the Collateral Agent, during the continuance of an Event of Default, to exercise rights and remedies under Article IX hereof at such time as the Collateral Agent shall be lawfully entitled to exercise such rights and remedies, and for no other purpose, each Pledgor hereby grants to the Collateral Agent effective upon such Event of Default, to the extent assignable, an irrevocable, non-exclusive license to use or sublicense any of the Intellectual Property Collateral now owned or hereafter acquired by such Pledgor. Such license shall include access to all media in which any of the licensed items may be recorded or stored and to all computer programs used for the compilation or printout hereof.

SECTION 6.2. Protection of Collateral Agent's Security. On a continuing basis, each Pledgor shall, at its sole cost and expense, (i) promptly following its becoming aware thereof, notify the Collateral Agent of any final adverse determination (exclusive of office actions and similar administrative proceedings) in any proceeding or the institution of any proceeding in any federal, state or local court or administrative body or in the United States Patent and Trademark Office or the United States Copyright Office regarding any Material Intellectual Property Collateral, such Pledgor's right to register such Material Intellectual Property Collateral or its right to keep and maintain such registration in full force and effect, (ii) maintain all Material Intellectual Property Collateral as presently used and operated, to the extent such Pledgor would maintain the collateral in the normal course, (iii) not permit to lapse or become abandoned any Material Intellectual Property Collateral, and not settle or compromise any pending or future litigation or administrative proceeding with respect to any such Material Intellectual Property Collateral, in either case except as shall be consistent with commercially reasonable business judgment, (iv) upon such Pledgor obtaining knowledge thereof, promptly notify the Collateral Agent in writing of any event which may be reasonably expected to materially and adversely affect the Pledgor's rights to any Material Intellectual Property Collateral or the rights and remedies of the Collateral Agent in relation thereto including a levy or threat of levy or any legal process against any Material Intellectual Property Collateral, (v) not license any Intellectual Property Collateral other than licenses entered into by such Pledgor in, or incidental to, the ordinary course of business or in such manner as would not otherwise be reasonably expected to have a material and adverse affect on the Pledgor's rights to such collateral, or amend or permit the amendment of any of the licenses in a manner other than in the ordinary course of business that materially and adversely affects the right to receive payments thereunder, or in any manner other than in the ordinary course of business that would materially impair the Pledgor's rights to any Intellectual Property Collateral, or the Lien on and security interest in the Intellectual Property Collateral created therein hereby, (vi) diligently keep adequate records respecting the registrations for all Intellectual Property Collateral and (vii) furnish to the Collateral Agent from time to time upon the Collateral Agent's reasonable request therefor reasonably detailed statements

---

and amended schedules further identifying and describing the Intellectual Property Collateral and such other materials evidencing or reports pertaining to any Intellectual Property Collateral as the Collateral Agent may from time to time reasonably request.

SECTION 6.3. After-Acquired Property. If any Pledgor shall at any time after the date hereof (i) obtain any rights to any additional Intellectual Property Collateral that are registered with a Governmental Authority or the subject of a pending application for such registration or (ii) become entitled to the benefit of any additional Intellectual Property Collateral that are registered with a Governmental Authority or the subject of a pending application for such registration or any renewal or extension thereof, including any reissue, division, continuation, or continuation-in-part of any Intellectual Property Collateral, or any improvement on any Intellectual Property Collateral, or if any intent-to use trademark application is no longer subject to clause (e) of the definition of "Excluded Property," the provisions hereof shall automatically apply thereto and any such item enumerated in the preceding clause (i) or (ii) shall automatically constitute Pledged Collateral as if such would have constituted Pledged Collateral at the time of execution hereof and be subject to the Lien and security interest created by this Agreement without further action by any party. Each Pledgor shall reasonably promptly (and in any event within 30 days after the end of each calendar year in its annual reporting statement) provide to the Collateral Agent (a) written notice of all such then current Intellectual Property Collateral that are part of the Pledged Collateral that are registered with a Governmental Authority or the subject of a pending application for such registration (other than confidential, non-published applications), and (b) confirm the attachment of the Lien and security interest created by this Agreement to any rights described in clauses (i) and (ii) above by execution of an instrument in form reasonably necessary to grant such a security interest to the

Collateral Agent and the filing of any instruments or statements as shall be reasonably necessary to create, preserve, protect or perfect the Collateral Agent's security interest in such Intellectual Property Collateral that are part of the Pledged Collateral. Further, each Pledgor authorizes the Collateral Agent as directed by the required Holders of the Notes pursuant to the Indenture to modify this Agreement by amending Schedules 11(a) and 11(b) to the Perfection Certificate to include any Intellectual Property Collateral of such Pledgor acquired or arising after the date hereof that are Pledged Collateral.

SECTION 6.4. Litigation. Unless there shall occur and be continuing any Event of Default, each Pledgor shall have the right to commence and prosecute in its own name, as the party in interest, for its own benefit and at the sole cost and expense of the Pledgors, such applications for protection of the Intellectual Property Collateral and suits, proceedings or other actions to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value or other damage as are necessary to protect the Intellectual Property Collateral. Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent shall have the right (in conjunction with the Pledgor) but shall in no way be obligated to file applications for protection of the Intellectual Property Collateral and/or bring suit in the name of any Pledgor, the Collateral Agent or the Secured Parties to enforce the Intellectual Property Collateral and any license thereunder. In the event of such suit, each Pledgor shall, at the reasonable request of the Collateral Agent, do any and all lawful acts and execute any and all documents requested by the

Collateral Agent in aid of such enforcement and the Pledgors shall promptly reimburse and indemnify the Collateral Agent for all costs and expenses incurred by the Collateral Agent in the exercise of its rights under this Section 6.4 in accordance with Section 7.07 of the Indenture. In the event that the Collateral Agent shall elect not to bring suit to enforce the Intellectual Property Collateral, each Pledgor agrees, at the reasonable request of the Collateral Agent, to take all commercially reasonable actions necessary, whether by suit, proceeding or other action, to prevent the infringement, counterfeiting, unfair competition, dilution, diminution in value of or other damage to any of the Intellectual Property Collateral by any person in each case as shall be consistent with commercially reasonable business judgment.

ARTICLE VII

CERTAIN PROVISIONS CONCERNING RECEIVABLES

SECTION 7.1. Maintenance of Records. Each Pledgor shall keep and maintain at its own cost and expense complete records of each Receivable, including records of all payments received, all credits granted thereon, all merchandise returned and all other documentation relating thereto, in each case to the extent, and in a manner, consistent with prudent business practice or current business practice. Each Pledgor shall, at such Pledgor's sole cost and expense, upon the Collateral Agent's reasonable demand made at any time after the occurrence and during the continuance of any Event of Default, to the extent permitted by law, promptly deliver all tangible evidence of Receivables, including all documents evidencing Receivables and any books and records relating thereto to the Collateral Agent or to its representatives (copies of which evidence and books and records may be retained by such Pledgor). Upon the occurrence and during the continuance of any Event of Default, to the extent permitted by law the Collateral Agent may transfer a full and complete copy of any Pledgor's books, records, credit information, reports, memoranda and all other writings relating to the Receivables to and for the use by any person that has acquired or is contemplating acquisition of an interest in the Receivables or the Collateral Agent's security interest therein without the consent of any Pledgor.

SECTION 7.2. Legend. If an Event of Default has occurred and is continuing, each Pledgor shall legend the Receivables and the other books, records and documents of such Pledgor evidencing or pertaining to the Receivables with an appropriate reference to the fact that the Receivables have been assigned to the Collateral Agent for the benefit of the Secured Parties and that the Collateral Agent has a security interest therein.

ARTICLE VIII

TRANSFERS

SECTION 8.1. Transfers of Pledged Collateral or Mortgaged Property. No Pledgor shall sell, convey, assign or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral, Mortgaged Property or Foreign Collateral pledged by it hereunder except as expressly permitted by the Secured Agreements.

ARTICLE IX

REMEDIES

SECTION 9.1. Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, the Collateral Agent may to the extent permitted by law from time to time exercise in respect of the Pledged Collateral and the Foreign Collateral, in addition to the other rights and remedies provided for herein or otherwise available to it, the following remedies:

(i) Other than with respect to Satellites, TT&C Stations and related property and equipment, personally, or by agents or attorneys, immediately take possession of the Pledged Collateral and the Foreign Collateral or any part thereof, from any Pledgor or any other person who then has possession of any part thereof, and for that purpose may enter upon any Pledgor's premises where any of the Pledged Collateral or Foreign Collateral is located, remove such Pledged Collateral or Foreign Collateral, remain present at such premises to receive copies of all communications and remittances relating to the Pledged Collateral and Foreign Collateral and use in connection with such removal and possession any and all services, supplies, aids and other facilities of any Pledgor;

(ii) Demand, sue for, collect or receive any money or property at any time payable or receivable in respect of the Pledged Collateral and Foreign Collateral including instructing the obligor or obligors on any agreement, instrument or other obligation constituting part of the Pledged Collateral or Foreign Collateral to make any payment required by the terms of such agreement, instrument or other obligation directly to the Collateral Agent, and in connection with any of the foregoing, compromise, settle, extend the time for payment and make other modifications with respect thereto; provided, however, that in the event that any such payments are made directly to any Pledgor, prior to receipt by any such obligor of such instruction, such Pledgor shall segregate all amounts received pursuant thereto in trust for the benefit of the Collateral Agent and shall promptly (but in no event later than one (1) Business Day after receipt thereof) pay such amounts to the Collateral Agent;

(iii) Sell, assign, grant a license to use or otherwise liquidate, or direct any Pledgor to sell, assign, grant a license to use or otherwise liquidate, any and all investments made in whole or in part with the Pledged Collateral and Foreign Collateral or any part thereof, and take possession of the proceeds of any such sale, assignment, license or liquidation;

(iv) Take possession of the Pledged Collateral and Foreign Collateral or any part thereof, by directing any Pledgor in writing to deliver the same to the Collateral Agent at any place or places so designated by the Collateral Agent, in which event such Pledgor shall at its own expense: (A) forthwith cause the same to be moved to the place or places designated by the Collateral Agent and therewith delivered to the Collateral Agent, (B) store and keep any Pledged Collateral and Foreign Collateral so delivered to the Collateral Agent at such place or places pending further action by the Collateral Agent and (C) while the Pledged Collateral or Foreign Collateral shall be so stored and kept, provide such security and maintenance services as shall be necessary to protect the same and to preserve and maintain them in good condition. Each Pledgor's obligation to deliver the Pledged Collateral and Foreign Collateral as contemplated in this Section 9.1(iv) is of the essence hereof. Upon application to a court of equity having jurisdiction, the Collateral Agent shall be entitled to a decree requiring specific performance by any Pledgor of such obligation;

(v) Withdraw all moneys, instruments, securities and other property in any bank, financial securities, deposit or other account of any Pledgor constituting Pledged Collateral or Foreign Collateral for application to the Secured Obligations as provided in Article X hereof;

(vi) Retain and apply the Distributions to the Secured Obligations as provided in Article X hereof;

(vii) Exercise any and all rights as beneficial and legal owner of the Pledged Collateral and Foreign Collateral, including perfecting assignment of and exercising any and all voting, consensual and other rights and powers with respect to any Pledged Collateral or Foreign Collateral; and

(viii) Exercise all the rights and remedies of a secured party on default under the UCC, and the Collateral Agent may also, without notice except as specified in Section 9.2 hereof, sell, assign or grant a license to use the Pledged Collateral and Foreign Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable. The Collateral Agent or any other Secured Party or any of their respective Affiliates may be the purchaser, licensee, assignee or recipient of the Pledged Collateral and Foreign Collateral or any part thereof at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Pledged Collateral and Foreign Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations owed to such person as a credit on account of the purchase price of the Pledged Collateral and Foreign Collateral or any part thereof payable by such person at such

sale. Each purchaser, assignee, licensee or recipient at any such sale shall acquire the property sold, assigned or licensed absolutely free from any claim or right on the part of any Pledgor, and each Pledgor hereby waives, to the fullest extent permitted by law, all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Collateral Agent shall not be obligated to make any sale of the Pledged Collateral or Foreign Collateral or any part thereof regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor hereby waives, to the fullest extent permitted by law, any claims against the Collateral Agent arising by reason of the fact that the price at which the Pledged Collateral and Foreign Collateral or any part thereof may have been sold, assigned or licensed at such a private sale was less than the price which might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Pledged Collateral or Foreign Collateral to more than one offeree.

(b) Except as provided in the succeeding sentence, if an Event of Default has occurred and is continuing, the Collateral Agent will only be permitted, subject to applicable law, to exercise remedies and sell the Pledged Collateral and the Foreign Collateral under this Agreement at the direction of the holders of a majority in the aggregate principal amount of the outstanding Notes Obligations and Additional Secured Obligations. If the Collateral Agent shall not have received appropriate instruction within 10 days of a request therefor from the applicable Secured Parties or their representatives (or such shorter period as reasonably may be specified in such notice or as may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action as it shall deem to be in the best interests of the Secured Parties and the Collateral Agent shall have no liability to any Person for such action or inaction. The Collateral Agent shall be authorized to take, but shall not be required to take, and shall in no event have any liability for the taking, any delay in taking or the failure to take, such actions with regard to a Default or an Event of Default which the Collateral Agent, in good faith, believes to be reasonably required to promote and protect the interests of the Secured Parties and to preserve the value of the Pledged Collateral and the Foreign Collateral and shall give the Secured Parties appropriate notice of such action. Any action taken or not taken without the vote of any Secured Party or Secured Party under this Section 9.1(b) shall nevertheless be binding on such Secured Party or Secured Parties.

SECTION 9.2. Notice of Sale. Each Pledgor acknowledges and agrees that, to the extent notice of sale or other disposition of the Pledged Collateral and Foreign Collateral or any part thereof shall be required by law, ten (10) days' prior notice to such Pledgor of the time and place of any public sale or of the time after which any private sale or other intended disposition is to take place shall be commercially reasonable notification of such matters. No notification need be given to any Pledgor if it has signed, after the occurrence of such Event of Default, a statement renouncing or modifying any right to notification of sale or other intended disposition.

SECTION 9.3. Waiver of Notice and Claims. Each Pledgor hereby waives, to the fullest extent permitted by applicable law, notice or judicial hearing in connection with the Collateral Agent's taking possession or the Collateral Agent's disposition of the Pledged Collateral or Foreign Collateral or any part thereof, including any and all prior notice and hearing for any prejudgment remedy or remedies and any such right which such Pledgor would otherwise have under law, and each Pledgor hereby further waives, to the fullest extent permitted by applicable law: (i) all damages occasioned by such taking of possession, (ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Collateral Agent's rights hereunder and (iii) all rights of redemption, appraisal, valuation, stay, extension or moratorium now or hereafter in force under any applicable law. The Collateral Agent shall not be liable for any incorrect or improper payment made pursuant to this Article IX in the absence of gross negligence or willful misconduct on the part of the Collateral Agent. Any sale of, or the grant of options to purchase, or any other realization upon, any Pledged Collateral or Foreign Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the applicable Pledgor therein and thereto, and shall be a perpetual bar both at law and in equity against such Pledgor and against any and all persons claiming or attempting to claim the Pledged Collateral or Foreign Collateral so sold, optioned or realized upon, or any part thereof, from, through or under such Pledgor.

SECTION 9.4. Certain Sales of Pledged Collateral and Foreign Collateral.

(a) Each Pledgor recognizes that, by reason of certain prohibitions contained in law, rules, regulations or orders of any Governmental Authority, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Pledged Collateral and Foreign Collateral, to limit purchasers to those who meet the requirements of such Governmental Authority. Each Pledgor acknowledges that any such sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agrees that any such restricted sale shall be deemed to have been made in a commercially reasonable manner and that, except as may be required by applicable law, the Collateral Agent shall have no obligation to engage in public sales.

(b) Each Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act, and applicable state securities laws, the Collateral Agent may be compelled, with respect to any sale of all or any part of the Securities Collateral and Investment Property, to limit purchasers to persons who will agree, among other things, to acquire such Securities Collateral or Investment Property for their own account, for investment and not with a view to the distribution or resale thereof. Each Pledgor acknowledges that any such private sales may be at prices and on terms less favorable to the Collateral Agent than those obtainable through a public sale without such restrictions (including a public offering made pursuant to a registration statement under the Securities Act), and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that the Collateral Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Securities Collateral or Investment Property for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration

under the Securities Act or under applicable state securities laws, even if such issuer would agree to do so.

(c) If the Collateral Agent determines to exercise its right to sell any or all of the Securities Collateral or Investment Property, upon written request, the applicable Pledgor shall determine and inform the Collateral Agent of the number of securities included in the Securities Collateral or Investment Property which may be sold by the Collateral Agent as exempt transactions under the Securities Act and the rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(d) Each Pledgor further agrees that a breach of any of the covenants contained in this Section 9.4 will cause irreparable injury to the Collateral Agent and the other Secured Parties, that the Collateral Agent and the other Secured Parties have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 9.4 shall be specifically enforceable against such Pledgor, and such Pledgor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

SECTION 9.5. No Waiver; Cumulative Remedies.

(a) No failure on the part of the Collateral Agent to exercise, no course of dealing with respect to, and no delay on the part of the Collateral Agent in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, privilege or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power, privilege or remedy; nor shall the Collateral Agent be required to look first to, enforce or exhaust any other security, collateral or guaranties. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law or otherwise available.

(b) In the event that the Collateral Agent shall have instituted any proceeding to enforce any right, power, privilege or remedy under this Agreement or any other Loan Document by foreclosure, sale, entry or otherwise, and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then and in every such case, the Pledgors, the Collateral Agent and each other Secured Party shall be restored to their respective former positions and rights hereunder with respect to the Pledged Collateral and Foreign Collateral, and all rights, remedies, privileges and powers of the Collateral Agent and the other Secured Parties shall continue as if no such proceeding had been instituted.

SECTION 9.6. Certain Additional Actions Regarding Intellectual Property. If any Event of Default shall have occurred and be continuing, upon the written demand of the Collateral Agent as directed by the required Holders of the Notes pursuant to the Indenture, each Pledgor shall execute and deliver to the Collateral Agent an assignment or assignments of the registered Patents, Trademarks and/or Copyrights and Goodwill and such other documents as are

necessary or appropriate to carry out the intent and purposes hereof. Within five (5) Business Days of written notice thereafter from the Collateral Agent, each Pledgor shall make available to the Collateral Agent, to the extent within such Pledgor's power and authority, such personnel in such Pledgor's employ on the date of the Event of Default as the Collateral Agent may reasonably designate, as directed by the required Holders of the Notes pursuant to the Indenture, to permit such Pledgor to continue, directly or indirectly, to produce, advertise and sell the products and services sold by such Pledgor under the registered Patents, Trademarks and/or Copyrights, and such persons shall be available to perform their prior functions on the Collateral Agent's behalf.

ARTICLE X

PROCEEDS OF CASUALTY EVENTS AND COLLATERAL DISPOSITIONS; APPLICATION OF PROCEEDS

SECTION 10.1. Application of Proceeds.

(a) The proceeds received by the Collateral Agent in respect of any sale of, collection from or other realization upon all or any part of the Pledged Collateral, Foreign Collateral or Mortgaged Property pursuant to the exercise by the Collateral Agent of its remedies or the proceeds received by the Collateral Agent in respect of any Casualty Event (as defined in the Mortgages) shall be applied, together with any other sums then held by the Collateral Agent pursuant to this Agreement, as follows:

First, to payment of that portion of the Secured Obligations constituting fees, indemnities, expenses, taxes and other amounts (including fees, expenses, charges and disbursements of counsel to the Collateral Agent) payable to the Collateral Agent in its capacity as such;

Second, to payment of that portion of the Secured Obligations constituting fees, indemnities, expenses, taxes and other amounts (including fees, charges and disbursements of counsel to the Additional Secured Agent) payable to the Additional Secured Agent in its capacity as such;

Third, to payment of that portion of the Secured Obligations constituting fees, indemnities and all other amounts payable to the Secured Parties (without priority of any one over any other) pro rata to the Secured Parties in proportion to the unpaid amounts of Secured Obligations with such proceeds applied (i) as among the Notes Secured Parties, as set forth in the Indenture and (ii) as among the Additional Secured Parties, as set forth in the applicable Additional Secured Documents; and

Last, the balance, if any, after all of the Secured Obligations have been paid in full, to the Pledgors or as otherwise required by Law.

(b) In making the determination and allocations required by this Section 10.1, the Collateral Agent may conclusively rely upon information supplied by (i) the Trustee as to the amounts of unpaid principal and interest and other amounts outstanding with respect to the Notes Obligations and (ii) the applicable Authorized Representative as to the amounts of unpaid principal and interest and other amounts outstanding with respect to such Additional Secured Obligations and the Collateral Agent shall have no liability to any of the Secured Parties for actions taken in reliance on such information; provided that nothing in this sentence shall prevent any Pledgor from contesting any amounts claimed by any Secured Party in any information so supplied. All distributions made by the Collateral Agent pursuant to this Section 10.1 shall be (subject to any decree of any court of competent jurisdiction) final (absent manifest error), and the Collateral Agent shall have no duty to inquire as to the application by the Trustee, or an Authorized Representative of any amounts distributed to such Person. If, despite the provisions of this Agreement, any Secured Party shall receive any payment or other recovery in excess of its portion of payments on account of the Secured Obligations to which it is then entitled in accordance with this Agreement, such Secured Party shall hold such payment or other recovery in trust for the benefit of all Secured Parties hereunder for distribution in accordance with this Section 10.1

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. Concerning Collateral Agent.

By way of supplement to Section 10.09 of the Indenture, it is agreed as follows:

(a) Each Secured Party hereby appoints Wells Fargo Bank, National Association to serve as Collateral Agent and representative of the Secured Parties under each of the Security Documents and authorizes and directs the Collateral Agent to act as agent for the Secured Parties for the purpose of executing and delivering, on behalf of all the Secured Parties, the Security Documents and any other documents or instruments related thereto or necessary or, as determined by the Collateral Agent, desirable to perfect the Liens granted to the Collateral Agent thereunder and, subject to the provisions of this Agreement, for the purpose of enforcing the Secured Parties' rights in respect of the Pledged Collateral, Foreign Collateral or Mortgaged Property and the obligations of the Pledgors under the Security Documents, and for the purpose of, or in connection with, releasing the obligations of the Pledgors under the Security Documents. Without limiting the generality of the foregoing, the Collateral Agent is further hereby appointed as agent for each of the Secured Parties to hold the Liens on the Pledged Collateral, Foreign Collateral or Mortgaged Property granted pursuant to the Security Documents with sole authority (subject to the Secured Agreements) to exercise remedies under the Security Documents. The Collateral Agent shall have the right hereunder to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking action (including the release or substitution of the Pledged Collateral, Foreign Collateral or Mortgaged

Property), in accordance with the Secured Agreements. The Collateral Agent may employ agents and attorneys-in-fact in connection herewith and shall not be liable for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Collateral Agent may resign and a successor Collateral Agent may be appointed in the manner provided in Section 10.09 of the Indenture and, as applicable, in the manner provided in each Additional Secured Agreement. Upon the acceptance of any appointment as the Collateral Agent by a successor Collateral Agent, that successor Collateral

Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent under the Secured Agreements, and the retiring Collateral Agent shall thereupon be discharged from its duties and obligations under the Secured Agreements. After any retiring Collateral Agent's resignation, the provisions hereof shall inure to its benefit as to any actions taken or omitted to be taken by it under the Secured Agreements while it was the Collateral Agent.

(b) The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Pledged Collateral and Foreign Collateral in its possession if such Pledged Collateral or Foreign Collateral is accorded treatment substantially equivalent to that which the Collateral Agent, in its individual capacity, accords its own property consisting of similar instruments or interests, it being understood that neither the Collateral Agent nor any of the Secured Parties shall have responsibility for (i) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Securities Collateral, whether or not the Collateral Agent or any other Secured Party has or is deemed to have knowledge of such matters or (ii) taking any necessary steps to preserve rights against any person with respect to any Pledged Collateral or Foreign Collateral.

(c) The Collateral Agent shall be entitled to conclusively rely upon any written notice, statement, certificate, order or other document or any telephone message believed by it to be genuine and correct and to have been signed, sent or made by the proper person, and, with respect to all matters pertaining to this Agreement and its duties hereunder, upon advice of counsel selected by it (who may be counsel to one or more Pledgors). The Collateral Agent shall not be deemed to have actual, constructive, direct or indirect knowledge or notice of the occurrence of any Default or Event of Default unless and until the Collateral Agent has received written notice from a Secured Party, an Authorized Representative or the Issuer referring to the applicable Secured Agreement, describing such Default or Event of Default and stating that it is a "notice of default" or a "notice of event of default," setting forth in reasonable detail the facts and circumstances thereof and stating that the Collateral Agent may conclusively rely on such notice without further inquiry. The Collateral Agent shall have no obligation or duty prior to or after receiving any such notice to inquire whether a Default or Event of Default has in fact occurred and shall be entitled to conclusively rely, and shall be fully protected in so relying, on any such notice furnished to it.

(d) If any item of Pledged Collateral also constitutes collateral granted to the Collateral Agent under any other deed of trust, mortgage, security agreement, pledge or instrument of any type, in the event of any conflict between the provisions hereof and the provisions of such other deed of trust, mortgage, security agreement, pledge or instrument of any

type in respect of such collateral, the Collateral Agent, in its sole discretion, shall select which provision or provisions shall control.

(e) The Collateral Agent may conclusively rely on advice of counsel as to whether any or all UCC financing statements of the Pledgors need to be amended as a result of any of the changes described in Section 4.5 hereof. If any Pledgor fails to provide information to the Collateral Agent about such changes on a timely basis, the Collateral Agent shall not be liable or responsible to any party for any failure to maintain a perfected security interest in such Pledgor's property constituting Pledged Collateral, for which the Collateral Agent needed to have information relating to such changes. The Collateral Agent shall have no duty to inquire about such changes if any Pledgor does not inform the Collateral Agent in writing of such changes, the parties acknowledging and agreeing that it would not be feasible or practical for the Collateral Agent to search for information on such changes if such information is not provided by any Pledgor.

(f) It is agreed that the provisions of Section 10.09 of the Indenture apply to this Agreement.

(g) The parties hereto agree that the Collateral Agent shall have no obligation to request any action or document or exercise any discretion provided for hereunder unless it was instructed in writing to do so by the required Holders of the Notes pursuant to the Indenture.

SECTION 11.2. Collateral Agent May Perform; Collateral Agent Appointed Attorney-in-Fact. If any Pledgor shall fail to perform any covenants contained in the Secured Agreements (including such Pledgor's covenants to (i) pay the premiums in respect of all required insurance policies hereunder, (ii) pay and discharge any taxes, assessments and special assessments, levies, fees and governmental charges imposed upon or assessed against, and landlords', carriers', mechanics', workmen's, repairmen's, laborers', materialmen's, suppliers' and warehousemen's Liens and other claims arising by operation of law against, all or any portion of the Pledged Collateral, (iii) make repairs, (iv) discharge Liens or (v) pay or perform any obligations of such Pledgor under any Pledged Collateral) or if any representation or warranty on the part of any Pledgor contained herein shall be breached, the Collateral Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend funds for such purpose; provided, however, that the Collateral Agent shall in no event be bound to inquire into the validity of any tax, Lien, imposition or other obligation which such Pledgor fails to pay or perform as and when required hereby and which such Pledgor does not contest in accordance with the provisions of the Secured Agreements. Any and all amounts so expended by the Collateral Agent shall be paid by the Pledgors in accordance with the provisions of Section 7.07 of the Indenture. Neither the provisions of this Section 11.2 nor any action taken by the Collateral Agent pursuant to the provisions of this Section 11.2 shall prevent any such failure to observe any covenant contained in this Agreement nor any breach of representation or warranty from constituting an Event of Default. Each Pledgor hereby appoints the Collateral Agent its attorney-in-fact, with full power and authority in the place and stead of such Pledgor and in the name of such Pledgor, or otherwise, from time to time, to take any action and to execute any

instrument consistent with the terms of the Secured Agreements and the Security Documents which are reasonably necessary or advisable to accomplish the purposes hereof (but the Collateral Agent shall not be obligated to and shall have no liability to such Pledgor or any third party for failure to so do or take action). The foregoing grant of authority is a power of attorney coupled with an interest and such appointment shall be irrevocable for the term hereof. Each Pledgor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof.

SECTION 11.3. Continuing Security Interest; Assignment. This Agreement shall create a continuing security interest in the Pledged Collateral and Foreign Collateral and shall (i) be binding upon the Pledgors, their respective successors and assigns and (ii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and the other Secured Parties and each of their respective successors, transferees and assigns. No other persons (including any other creditor of any Pledgor) shall have any interest herein or any right or benefit with respect hereto. Without limiting the generality of the foregoing clause (ii), any Secured Party may assign or otherwise transfer any indebtedness held by it secured by this Agreement to any other person, and such other person shall thereupon become vested with all the benefits in respect thereof granted to such

Secured Party, herein or otherwise, subject however, to the provisions of the applicable Secured Agreement. Each of the Pledgors agrees that its obligations hereunder and the security interest created hereunder shall continue to be effective or be reinstated, as applicable, if at any time payment, or any part thereof, of all or any part of the Secured Obligations is rescinded or must otherwise be restored by the Secured Party upon the bankruptcy or reorganization of any Pledgor or otherwise.

SECTION 11.4. Termination; Release.

(a) When all the Secured Obligations (other than contingent indemnification Secured Obligations as to which no claim has been asserted) have been paid in full and no commitments remain under any Additional Secured Debt Documents, this Agreement shall terminate. Upon termination of this Agreement, the Pledged Collateral and the Foreign Collateral shall be released from the Lien of this Agreement.

(b) The Liens securing the Notes Obligations, will, automatically and without the need for any further action by any Person be released, in whole or in part, as provided in Section 10.03 of the Indenture.

(c) The Liens securing the Additional Secured Obligations of any series will be released, in whole or in part, as provided in the Indenture and the Additional Secured Documents governing such obligations.

SECTION 11.5. Modification in Writing. Except as permitted by Section 9.01 of the Indenture, no amendment, modification, supplement, termination or waiver of or to any provision hereof, nor consent to any departure by any Pledgor therefrom, shall be effective unless the same shall be made in accordance with the terms of the Indenture, each Additional Secured Agreement and unless in writing and signed by each of the parties hereto. Any

amendment, modification or supplement of or to any provision hereof, any waiver of any provision hereof and any consent to any departure by any Pledgor from the terms of any provision hereof in each case shall be effective only in the specific instance and for the specific purpose for which made or given. Except where notice is specifically required by this Agreement or any other document evidencing the Secured Obligations, no notice to or demand on any Pledgor in any case shall entitle any Pledgor to any other or further notice or demand in similar or other circumstances.

SECTION 11.6. Notices. Unless otherwise provided herein or in the Indenture, any notice or other communication herein required or permitted to be given shall be given in the manner and become effective as set forth in the Indenture, as to any Pledgor, addressed to it at the address of the Issuer set forth in the Indenture, as to the Collateral Agent, in writing and addressed to it at the address set forth in the Indenture, and as to any Authorized Representative, addressed to it at the address set forth in the applicable Additional Secured Party Joinder or in each case at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section 11.6.

SECTION 11.7. Governing Law. Section 12.08 of the Indenture is incorporated herein, *mutatis mutandis*, as if a part hereof.

SECTION 11.8. Severability of Provisions. Any provision hereof which is invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without invalidating the remaining provisions hereof or affecting the validity, legality or enforceability of such provision in any other jurisdiction.

SECTION 11.9. Execution in Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute one and the same agreement. Delivery of any executed counterpart of a signature page of this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 11.10. Business Days. In the event any time period or any date provided in this Agreement ends or falls on a day other than a Business Day, then such time period shall be deemed to end and such date shall be deemed to fall on the next succeeding Business Day, and performance herein may be made on such Business Day, with the same force and effect as if made on such other day.

SECTION 11.11. No Credit for Payment of Taxes or Imposition. Each Pledgor shall not be entitled to any credit against the principal, premium, if any, or interest payable under the Secured Agreements, and each such Pledgor shall not be entitled to any credit against any other sums which may become payable under the terms thereof or hereof, by reason of the

payment of any Tax on the Pledged Collateral, Foreign Collateral or Mortgaged Property or any part thereof.

SECTION 11.12. No Claims Against Collateral Agent. Nothing contained in this Agreement shall constitute any consent or request by the Collateral Agent, express or implied, for the performance of any labor or services or the furnishing of any materials or other property in respect of the Pledged Collateral or Mortgaged Property or any part thereof, nor as giving any Pledgor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against the Collateral Agent in respect thereof or any claim that any Lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the Lien hereof.

SECTION 11.13. No Release. Nothing set forth in this Agreement or any other Security Document, nor the exercise by the Collateral Agent of any of the rights or remedies hereunder, shall relieve any Pledgor from the performance of any term, covenant, condition or agreement on such Pledgor’s part to be performed or observed under or in respect of any of the Pledged Collateral or Foreign Collateral or from any liability to any person under or in respect of any of the Pledged Collateral or Foreign Collateral or shall impose any obligation on the Collateral Agent or any other Secured Party to perform or observe any such term, covenant, condition or agreement on such Pledgor’s part to be so performed or observed or shall impose any liability on the Collateral Agent or any other Secured Party for any act or omission on the part of such Pledgor relating thereto or for any breach of any representation or warranty on the part of such Pledgor contained in this Agreement, the Secured Agreements or the other Security Documents, or under or in respect of the

Pledged Collateral or Foreign Collateral or made in connection herewith or therewith. Anything herein to the contrary notwithstanding, neither the Collateral Agent nor any other Secured Party shall have any obligation or liability under any contracts, agreements and other documents included in the Pledged Collateral or Foreign Collateral by reason of this Agreement, nor shall the Collateral Agent or any other Secured Party be obligated to perform any of the obligations or duties of any Pledgor thereunder or to take any action to collect or enforce any such contract, agreement or other document included in the Pledged Collateral or Foreign Collateral hereunder. The obligations of each Pledgor contained in this Section 11.13 shall survive the termination hereof and the discharge of such Pledgor's other obligations under this Agreement, the Secured Agreements and the other Security Documents.

SECTION 11.14. FCC Matters.

(a) Notwithstanding anything herein to the contrary, the Collateral Agent, on behalf of the Secured Parties, agrees that to the extent prior FCC approval is required pursuant to Communications Laws for (i) the operation and effectiveness of any grant, right or remedy hereunder or under any other Security Document or (ii) taking any action that may be taken by the Collateral Agent hereunder or under the other Security Documents, such grant, right, remedy or actions will be subject to such prior FCC approval having been obtained by or in favor of the Collateral Agent, on behalf of the Secured Parties. Notwithstanding anything herein to the

contrary, the Collateral Agent, on behalf of the Secured Parties, acknowledges that, to the extent required by the FCC, the voting rights in the Pledged Securities, as well as de jure, de facto and negative control over all FCC authorizations, shall remain with the Pledgors even in the event of a Default until the FCC shall have given its prior consent to the exercise of securityholder rights by a purchaser at a public or private sale of the Pledged Securities or to the exercise of such rights by a receiver, trustee, conservator or other agent duly appointed in accordance with the applicable law. The Pledgors shall, upon the occurrence and during the continuance of an Event of Default and after 30 days notice for the opportunity to cure such Event of Default, at the Collateral Agent's request (acting at the written request of the Secured Parties), file or cause to be filed such applications for approval and shall take such other actions reasonably required by the Collateral Agent, as directed by the required Secured Parties pursuant to this Agreement, to obtain such FCC approvals or consents as are necessary to transfer ownership and control to the Collateral Agent, on behalf of the Secured Parties, or their successors, assigns or designees of the FCC Licenses held by the Pledgors and the satellite and earth station facilities authorized by the FCC Licenses ("FCC Licensed Facilities"). To enforce the provisions of this subsection, the Collateral Agent is empowered to request the appointment of a receiver from any court of competent jurisdiction. Such receiver shall be instructed to seek from the FCC an involuntary transfer of control of any such FCC License or FCC Licensed Facilities for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. Upon the occurrence and during the continuance of an Event of Default and after 30 days notice for the opportunity to cure such Event of Default, at the Collateral Agent's request (acting at the written request of the Secured Parties), the Pledgors shall further use their reasonable best efforts to assist in obtaining approval of the FCC, if required, for any action or transactions contemplated hereby, including, without limitation, the preparation, execution and filing with the FCC of the assignor's or transferor's portion of any application for consent to the assignment of any FCC License or FCC Licensed Facilities or transfer of control necessary or appropriate under the FCC's rules and regulations for approval of the transfer or assignment of any portion of the Collateral, together with any FCC License or other authorization.

(b) The Pledgors acknowledge that the assignment or transfer of such FCC Licenses or FCC Licensed Facilities is integral to the Secured Parties' realization of the value of the Collateral, that there is no adequate remedy at law for failure by the Pledgors to comply with the provisions of this section and that such failure would not be adequately compensable in damages, and therefore agree that this section may be specifically enforced.

(c) Notwithstanding anything herein or in any other Security Document or the Secured Agreements to the contrary, neither the Collateral Agent nor any other Secured Party shall, without first obtaining the approval of the FCC, take any action hereunder or under any other Security Document that would constitute or result in any assignment of an FCC License or FCC Licensed Facilities or any change of control of any Pledgor if such assignment or change of control would require the approval of the FCC under applicable law (including FCC rules and regulations).

SECTION 11.15. Compliance with Trust Indenture Act. Notwithstanding anything herein to the contrary, the Issuer, the Guarantors and the Collateral Agent may amend or supplement this Agreement in order to comply with the Trust Indenture Act of 1939, as in effect on the date of this Agreement.

ARTICLE XII

ADDITIONAL SECURED OBLIGATIONS

SECTION 12.1. Additional Secured Obligations. On or after the date hereof, the Issuer may from time to time designate additional Indebtedness of the Issuer or any Guarantor permitted to be incurred under the Indenture and to be secured by a Lien on the Pledged Collateral, Foreign Collateral or Mortgaged Property permitted by the Indenture as Additional Secured Obligations and as additional Secured Obligations hereunder by delivering to the Collateral Agent and each Authorized Representative (a) a certificate signed by an Officer of the Issuer (i) identifying the obligations so designated and the aggregate principal amount or face amount thereof, stating that such obligations are designated as Additional Secured Obligations and Secured Obligations for purposes hereof, (ii) representing that such designation of such obligations as Additional Secured Obligations complies with the terms of each of the Secured Agreements and (iii) specifying the name and address of the Authorized Representative for such obligations, (b) a fully executed Additional Secured Party Joinder (in the form attached as Exhibit 11); and (c) an Opinion of Counsel to the effect that the designation of such obligations as "Additional Secured Obligations" is in compliance with the terms of the Indenture. Each Authorized Representative agrees that upon the satisfaction of all conditions set forth in the preceding sentence, the Collateral Agent shall act as agent under and subject to the terms of this Agreement for the benefit of all Secured Parties, including without limitation, any Secured Parties that hold any such Additional Secured Obligations, and each Authorized Representative agrees to the appointment, and acceptance of the appointment, of the Collateral Agent as agent for the holders of such Additional Secured Obligations as set forth in each Additional Secured Party Joinder and agrees, on behalf of itself and each Additional Secured Party it represents, to be bound by this Agreement.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, each Pledgor and the Collateral Agent have caused this Patent Security Agreement to be duly executed and delivered by their duly authorized officers as of the date first above written.

EH HOLDING CORPORATION,
as Pledgor

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

ECHOSTAR 77 CORPORATION
ECHOSTAR SATELLITE SERVICES L.L.C.
ECHOSTAR ORBITAL L.L.C.
ECHOSTAR GOVERNMENT SERVICES L.L.C.
ECHOSTAR SATELLITE OPERATING CORPORATION,
as Pledgors

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

HUGHES COMMUNICATIONS, INC.,
as Pledgor
By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Senior Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS, LLC,
as Pledgor
By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Senior Vice President, General Counsel and Secretary

HNS FINANCE CORP.,
as Pledgor
By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS INTERNATIONAL SERVICE COMPANY,
as Pledgor
By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel and Secretary

HNS REAL ESTATE, LLC,
as Pledgor
By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel and Secretary

HNS-INDIA VSAT, INC.,

as Pledgor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel and Secretary

HNS-SHANGHAI, INC.,
as Pledgor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel and Secretary

HELIUS, LLC,
as Pledgor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Secretary

HELIUS ACQUISITION, LLC,
as Pledgor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Secretary

ADVANCED SATELLITE RESEARCH, LLC,
as Pledgor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Secretary

HNS LICENSE SUB, LLC,
as Pledgor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Senior Vice President, General Counsel and Secretary

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Richard Prokosch
Name: Richard Prokosch
Title: Vice President

EXHIBIT 1

[Form of]

ISSUER'S ACKNOWLEDGMENT

The undersigned hereby (i) acknowledges receipt of the Security Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement;" capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of June 8, 2011, made by EH HOLDING CORPORATION, a Colorado corporation (the "Issuer"), the

Guarantors party thereto and Wells Fargo Bank, National Association, as collateral agent (in such capacity and together with any successors in such capacity, the "Collateral Agent"), (ii) agrees promptly to note on its books the security interests granted to the Collateral Agent and confirmed under the Security Agreement, (iii) agrees that it will comply with instructions of the Collateral Agent with respect to the applicable Securities Collateral (including all Equity Interests of the undersigned) without further consent by the applicable Pledgor, (iv) agrees to notify the Collateral Agent in writing upon obtaining knowledge of any interest in favor of any person in the applicable Securities Collateral that is adverse to the interest of the Collateral Agent therein and (v) waives any right or requirement at any time hereafter to receive a copy of the Security Agreement in connection with the registration of any Securities Collateral thereunder in the name of the Collateral Agent or its nominee or the exercise of voting rights by the Collateral Agent or its nominee.

[ ]

By: ______________________________
Name:
Title:

EXHIBIT 2

[Form of]

SECURITIES PLEDGE AMENDMENT

This Securities Pledge Amendment, dated as of [ ], 2011, is delivered pursuant to Section 5.1 of the Security Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement;" capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of June 8, 2011, made by EH HOLDING CORPORATION, a Colorado corporation (the "Issuer"), the Guarantors party thereto and Wells Fargo Bank, National Association, as collateral agent (in such capacity and together with any successors in such capacity, the "Collateral Agent"). The undersigned hereby agrees that this Securities Pledge Amendment may be attached to the Security Agreement and that the Pledged Securities and/or Intercompany Notes listed on this Securities Pledge Amendment shall be deemed to be and shall become part of the Pledged Collateral and shall secure all Secured Obligations.

PLEDGED SECURITIES

ISSUER	CLASS OF STOCK OR INTERESTS	PAR VALUE	CERTIFICATE NO(S).	NUMBER OF SHARES OR INTERESTS	PERCENTAGE OF ALL ISSUED CAPITAL OR OTHER EQUITY INTERESTS OF ISSUER

INTERCOMPANY NOTES

ISSUER	PRINCIPAL AMOUNT	DATE OF ISSUANCE	INTEREST RATE	MATURITY DATE

[ ],
as Pledgor

By: ______________________________
Name:
Title:

AGREED TO AND ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________
Name:
Title:

EXHIBIT 3

[Form of]

JOINDER AGREEMENT

[Name of New Pledgor]
[Address of New Pledgor]

[Date]

____
____
____
____

Ladies and Gentlemen:

Reference is made to the Security Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of June 8, made by EH HOLDING CORPORATION, a Colorado corporation (the "Issuer"), and Wells Fargo Bank, National Association, as collateral agent (in such capacity and together with any successors in such capacity, the "Collateral Agent").

This Joinder Agreement supplements the Security Agreement and is delivered by the undersigned, [   ] (the "New Pledgor"), pursuant to Section 3.6 of the Security Agreement. The New Pledgor hereby agrees to be bound as a Pledgor party to the Security Agreement by all of the terms, covenants and conditions set forth in the Security Agreement to the same extent that it would have been bound if it had been a signatory to the Security Agreement on the date of the Security Agreement. The New Pledgor also hereby agrees to be bound as a party by all of the terms, covenants and conditions applicable to it set forth in the Security Agreement to the same extent that it would have been bound if it had been a signatory to the Security Agreement on the execution date of the Security Agreement. Without limiting the generality of the foregoing, the New Pledgor hereby grants and pledges to the Collateral Agent, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral and expressly assumes all obligations and liabilities of a Pledgor thereunder. The New Pledgor hereby makes

each of the representations and warranties and agrees to each of the covenants applicable to the Pledgors contained in the Security Agreement.

Annexed hereto are supplements to each of the schedules to the Security Agreement, with respect to the New Pledgor. Such supplements shall be deemed to be part of the Security Agreement.

This Joinder Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute one and the same agreement.

THIS JOINDER AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

IN WITNESS WHEREOF, the New Pledgor has caused this Joinder Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

[NEW PLEDGOR]

By: ______________________________
Name:
Title:

AGREED TO AND ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________
Name:
Title:

[Schedules to be attached]

[Form of]

Copyright Security Agreement

Copyright Security Agreement, dated as of [ ], by [ ] and [ ] (individually, a "Pledgor", and, collectively, the "Pledgors"), in favor of Wells Fargo Bank, National Association, in its capacity as collateral agent pursuant to the Indenture (in such capacity, the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, the Pledgors are party to a Security Agreement of even date herewith (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement") in favor of the Collateral Agent pursuant to which the Pledgors are required to execute and deliver this Copyright Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Collateral Agent, for the benefit of the Secured Parties, to enter into the Indenture, the Pledgors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. Grant of Security Interest in Copyright Collateral. Each Pledgor hereby pledges and grants to the Collateral Agent for the benefit of the Secured Parties a lien on and security interest in and to all of its right, title and interest in, to and under all the following Pledged Collateral of such Pledgor:

(a) Copyrights of such Pledgor listed on Schedule I attached hereto; and

(b) all Proceeds of any and all of the foregoing (other than Excluded Property).

SECTION 3. Security Agreement. The security interest granted pursuant to this Copyright Security Agreement is granted pursuant to the security interest granted to the Collateral Agent under the Security Agreement and Pledgors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Copyrights made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Copyright Security Agreement is deemed to conflict with the Security

---

Agreement, the provisions of the Security Agreement shall control unless the Collateral Agent shall otherwise determine.

SECTION 4. Termination. Upon the payment in full of the Secured Obligations and termination of the Security Agreement, the Collateral Agent shall execute, acknowledge, and deliver to the Pledgors an instrument in writing in recordable form releasing the collateral pledge, grant, assignment, lien and security interest in the Copyrights under this Copyright Security Agreement.

SECTION 5. Counterparts. This Copyright Security Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Copyright Security Agreement by signing and delivering one or more counterparts.

SECTION 6. Governing Law. This Copyright Security Agreement and the transactions contemplated hereby, and all disputes between the parties under or relating to this Copyright Security Agreement or the facts or circumstances leading to its execution, whether in contract, tort or otherwise, shall be construed in accordance with and governed by the laws (including statutes of limitation) of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, each Pledgor has caused this Copyright Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

Very truly yours,

[PLEDGORS]

By: ________________________
Name:
Title:

Accepted and Agreed:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________
Name:
Title:

SCHEDULE I
to
COPYRIGHT SECURITY AGREEMENT
<u>COPYRIGHT REGISTRATIONS AND COPYRIGHT APPLICATIONS</u>(1)

Copyright Registrations:

OWNER	REGISTRATION NUMBER	TITLE

Copyright Applications:

OWNER	TITLE

---

(1) Note to attorney: These schedules include the minimum information required to perfect in the Copyright Office. A conformed version of perfection certificate would be adequate, provided it contains this information.

EXHIBIT 5

[Form of]

Patent Security Agreement

Patent Security Agreement, dated as of [ ], by [ ] and [ ] (individually, a "Pledgor", and, collectively, the "<u>Pledgors</u>"), in favor of Wells Fargo Bank, National Association, in its capacity as collateral agent pursuant to the Indenture (in such capacity, the "<u>Collateral Agent</u>").

<u>W I T N E S S E T H</u>:

WHEREAS, the Pledgors are party to a Security Agreement of even date herewith (as amended, amended and restated, supplemented or otherwise modified from time to time, the "<u>Security Agreement</u>") in favor of the Collateral Agent pursuant to which the Pledgors are required to execute and deliver this Patent Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Collateral Agent, for the benefit of the Secured Parties, to enter into the Indenture, the Pledgors hereby agree with the Collateral Agent as follows:

SECTION 1. <u>Defined Terms</u>. Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. <u>Grant of Security Interest in Patent Collateral</u>. Each Pledgor hereby pledges and grants to the Collateral Agent for the benefit of the Secured Parties a lien on and security interest in and to all of its right, title and interest in, to and under all the following Pledged Collateral of such Pledgor:

(a) Patents of such Pledgor listed on Schedule I attached hereto; and

(b) all Proceeds of any and all of the foregoing (other than Excluded Property).

SECTION 3. <u>Security Agreement</u>. The security interest granted pursuant to this Patent Security Agreement is granted pursuant to the security interest granted to the Collateral Agent under the Security Agreement and Pledgors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Patents made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Patent Security Agreement is deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall control unless the Collateral Agent shall otherwise determine.

SECTION 4. Termination. Upon the payment in full of the Secured Obligations and termination of the Security Agreement, the Collateral Agent shall execute, acknowledge, and deliver to the Pledgors an instrument in writing in recordable form releasing the collateral pledge, grant, assignment, lien and security interest in the Patents under this Patent Security Agreement.

SECTION 5. Counterparts. This Patent Security Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Patent Security Agreement by signing and delivering one or more counterparts.

SECTION 6. Governing Law. This Patent Security Agreement and the transactions contemplated hereby, and all disputes between the parties under or relating to this Patent Security Agreement or the facts or circumstances leading to its execution, whether in contract, tort or otherwise, shall be construed in accordance with and governed by the laws (including statutes of limitation) of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, each Pledgor has caused this Patent Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

Very truly yours,

[PLEDGORS]

By: ______________________________
Name:
Title:

Accepted and Agreed:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________
Name:
Title:

SCHEDULE I
to
PATENT SECURITY AGREEMENT
PATENT REGISTRATIONS AND PATENT APPLICATIONS

Patent Registrations:

OWNER	REGISTRATION NUMBER	NAME

Patent Applications:

OWNER	APPLICATION NUMBER	NAME

[Form of]

Trademark Security Agreement

Trademark Security Agreement, dated as of [ ], by [ ] and [ ] (individually, a "Pledgor", and, collectively, the "Pledgors"), in favor of Wells Fargo Bank, National Association, in its capacity as collateral agent pursuant to the Indenture (in such capacity, the "Collateral Agent").

W I T N E S S E T H:

WHEREAS, the Pledgors are party to a Security Agreement of even date herewith (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement") in favor of the Collateral Agent pursuant to which the Pledgors are required to execute and deliver this Trademark Security Agreement;

NOW, THEREFORE, in consideration of the premises and to induce the Collateral Agent, for the benefit of the Secured Parties, to enter into the Indenture, the Pledgors hereby agree with the Collateral Agent as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, terms defined in the Security Agreement and used herein have the meaning given to them in the Security Agreement.

SECTION 2. Grant of Security Interest in Trademark Collateral. Each Pledgor hereby pledges and grants to the Collateral Agent for the benefit of the Secured Parties a lien on and security interest in and to all of its right, title and interest in, to and under all the following Pledged Collateral of such Pledgor:

(a) Trademarks of such Pledgor listed on Schedule I attached hereto;

(b) all goodwill associated with such Trademarks; and

(c) all Proceeds of any and all of the foregoing (other than Excluded Property).

SECTION 3. Security Agreement. The security interest granted pursuant to this Trademark Security Agreement is granted pursuant to the security interest granted to the Collateral Agent under the Security Agreement and Pledgors hereby acknowledge and affirm that the rights and remedies of the Collateral Agent with respect to the security interest in the Trademarks

---

made and granted hereby are more fully set forth in the Security Agreement, the terms and provisions of which are incorporated by reference herein as if fully set forth herein. In the event that any provision of this Trademark Security Agreement is deemed to conflict with the Security Agreement, the provisions of the Security Agreement shall control unless the Collateral Agent shall otherwise determine.

SECTION 4. Termination. Upon the payment in full of the Secured Obligations and termination of the Security Agreement, the Collateral Agent shall execute, acknowledge, and deliver to the Pledgors an instrument in writing in recordable form releasing the collateral pledge, grant, assignment, lien and security interest in the Trademarks under this Trademark Security Agreement.

SECTION 5. Counterparts. This Trademark Security Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any party hereto may execute this Trademark Security Agreement by signing and delivering one or more counterparts.

SECTION 6. Governing Law. This Trademark Security Agreement and the transactions contemplated hereby, and all disputes between the parties under or relating to this Trademark Security Agreement or the facts or circumstances leading to its execution, whether in contract, tort or otherwise, shall be construed in accordance with and governed by the laws (including statutes of limitation) of the State of New York, without regard to conflicts of law principles that would require the application of the laws of another jurisdiction.

[signature page follows]

IN WITNESS WHEREOF, each Pledgor has caused this Trademark Security Agreement to be executed and delivered by its duly authorized officer as of the date first set forth above.

Very truly yours,

[PLEDGORS]

By: ______________________________
Name:
Title:

Accepted and Agreed:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ____
Name:
Title:

SCHEDULE I(2)
to
TRADEMARK SECURITY AGREEMENT
TRADEMARK REGISTRATIONS AND TRADEMARK APPLICATIONS

Trademark Registrations:

OWNER	REGISTRATION NUMBER	TRADEMARK

Trademark Applications:

OWNER	APPLICATION NUMBER	TRADEMARK

(2) Note to attorney: These schedules include the minimum information required to perfect in the PTO. A conformed version of perfection certificate would be adequate, provided it contains this information.

EXHIBIT 7

FORM OF NOTICE TO BAILEE OF SECURITY INTEREST IN INVENTORY

CERTIFIED MAIL — RETURN RECEIPT REQUESTED

[ ], 200[ ]

TO: [Bailee's Name]
[Bailee's Address]

Re: [Issuer]

Ladies and Gentlemen:

In connection with that certain Security Agreement, dated as of June 8, 2011 (the "Security Agreement"), made by EH HOLDING CORPORATION, the Guarantors party thereto and Wells Fargo Bank, National Association, as Collateral Agent (the "Collateral Agent"), we have granted to the Collateral Agent a security interest in substantially all of our personal property, including our inventory.

This letter constitutes notice to you, and your signature below will constitute your acknowledgment, of Collateral Agent's continuing first priority security interest in all goods with respect to which you are acting as bailee. Until you are notified in writing to the contrary by Collateral Agent, however, you may continue to accept instructions from us regarding the delivery of goods stored by you.

Your acknowledgment also constitutes a waiver and release, for Collateral Agent's benefit, of any and all claims, liens, including bailee's liens, and demands of every kind which you have or may later have against such goods (including any right to include such goods in any secured financing to which you may become party).

In order to complete our records, kindly have a duplicate of this letter signed by an officer of your company and return same to us at your earliest convenience.

Receipt acknowledged, confirmed and approved:

[BAILEE]

By: ____________________________
Name:
Title:

Very truly yours,

[APPLICABLE PLEDGOR]

By: ____________________________
Name:
Title:

cc: Collateral Agent

EXHIBIT 8

FORM OF LANDLORD'S LIEN WAIVER, ACCESS AGREEMENT AND CONSENT

[Attached.]

EXHIBIT 9

[Form of]

ADDITIONAL SECURED PARTY JOINDER

[Name of Additional Secured Creditor]
[Address of Additional Secured Creditor]

[Date]

____
____
____
____

The undersigned is the agent (the "Authorized Representative") for Persons wishing to become "**Additional Secured Parties**" (the "New Secured Parties") under the Security Agreement dated as of June 8, 2011 (as heretofore amended and/or supplemented, the "Security Agreement" (terms used without definition herein have the meanings assigned thereto in the Security Agreement)) among EH HOLDING CORPORATION, the other Pledgors party thereto and Wells Fargo Bank, National Association, as Collateral Agent (the "Collateral Agent").

In consideration of the foregoing, the undersigned hereby:

(i) represents that the Authorized Representative has been authorized by the New Secured Parties to become a party to the Security Agreement and the other Security Documents on behalf of the New Secured Parties under that [DESCRIBE OPERATIVE AGREEMENT] (the "New Secured Obligation") and to act as the Authorized Representative for the New Secured Parties;

(ii) acknowledges that the New Secured Parties have received a copy of the Security Agreement and the Indenture;

(iii) appoints and authorizes the Collateral Agent to take such action as agent on its behalf and on behalf of all other Secured Parties and to exercise such powers under the Security Agreement and the other Security Documents as are delegated to the Collateral Agent by the terms thereof, together with all such powers as are reasonably incidental thereto; and

(iv) accepts and acknowledges the terms of the Security Agreement applicable to it and the New Secured Parties and agrees to serve as Authorized Representative for the New Secured Parties with respect to the New Secured Obligations and agrees on its own behalf and on behalf of the New Secured Parties to be bound by the terms thereof applicable to holders of Additional Secured Obligations, with all the rights and obligations of an Additional Secured Party thereunder and bound by all the provisions thereof as fully as if it had been an Additional Secured Party on the effective date of the Security Agreement.

The Collateral Agent, by acknowledging and agreeing to this Additional Secured Party Joinder, accepts the appointment set forth in clause (iii) above.

The name and address of the representative for purposes of Section 11.6 of the Security Agreement are as follows:

[name and address of Authorized Representative]

THIS ADDITIONAL SECURED PARTY JOINDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Additional Secured Party Joinder to be duly executed by its authorized officer as of the day of 20 .

[NAME OF AUTHORIZED REPRESENTATIVE]

By: ____________________
Name:
Title:

Acknowledged and Agreed

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ____________________
Name:
Title:

EH HOLDING CORPORATION,

By: ____________________
Name:
Title:

EXHIBIT 10

FORM OF MORTGAGE

[Attached.]

Exhibit 4.2

SUPPLEMENTAL INDENTURE

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), entered into as of June 8, 2011, among EH Holding Corporation, a Colorado corporation (the "Company"), the guarantors listed on the signature pages to the Secured Indenture (the "Guarantors"), Hughes Communications, Inc., ("Hughes", and together with the other additional guarantors listed on the signature pages hereto, the "Supplemental Guarantors"), and Wells Fargo Bank, National Association., as trustee (the "Trustee") and as collateral agent (the "Collateral Agent"). Capitalized terms used herein and not otherwise defined herein are used as defined in the Secured Indenture referred to below.

RECITALS

WHEREAS, EH Holding Corporation, a Colorado corporation, the Guarantors listed on the signature pages thereto and the Trustee entered into that certain Secured Indenture, dated as of June 1, 2011 (the "Secured Indenture"), relating to the 6½% Senior Secured Notes due 2019 in original principal amount of $1,100,000,000 (the "Secured Notes").

WHEREAS, on the date hereof, the Acquisition has been consummated and each of the Supplemental Guarantors is a Restricted Subsidiary of the Company; and

WHEREAS, pursuant to Section 4.13 and Section 4.22(b) of the Indenture, each Supplemental Guarantor is required to become a Guarantor under the Secured Indenture; and

AGREEMENT

NOW, THEREFORE, the parties to this Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Secured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 11.02.

Section 2. This Supplemental Indenture is an amendment supplemental to the Secured Indenture, and the Secured Indenture and this Supplemental Indenture will henceforth be read together.

Section 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signature pages follow]

EH HOLDING CORPORATION

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

ECHOSTAR 77 CORPORATION
ECHOSTAR SATELLITE SERVICES L.L.C.
ECHOSTAR ORBITAL L.L.C.
ECHOSTAR GOVERNMENT SERVICES L.L.C.
ECHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

HUGHES COMMUNICATIONS, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Senior Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Senior Vice President, General Counsel and Secretary

HNS FINANCE CORP.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS INTERNATIONAL SERVICE COMPANY,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS REAL ESTATE, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS-INDIA VSAT, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS-SHANGHAI, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HELIUS, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

HELIUS ACQUISITION, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

ADVANCED SATELLITE RESEARCH, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

HNS LICENSE SUB, LLC,
as a Supplemental Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Senior Vice President, General Counsel and Secretary

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee and Collateral Agent

By: /s/ Richard Prokosch
Name: Richard Prokosch
Title: Vice President

Exhibit 4.3

SUPPLEMENTAL INDENTURE

THIS SUPPLEMENTAL INDENTURE (this "Supplemental Indenture"), entered into as of June 8, 2011, among EH Holding Corporation., a Colorado corporation (the "Company"), the guarantors listed on the signature pages to the Unsecured Indenture (the "Guarantors"), Hughes Communications, Inc., ("Hughes", and together with the other additional guarantors listed on the signature pages hereto, the "Supplemental Guarantors"), and Wells Fargo Bank, National Association., as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined herein are used as defined in the Unsecured Indenture referred to below.

RECITALS

WHEREAS, EH Holding Corporation, a Colorado corporation, the Guarantors listed on the signature pages thereto and the Trustee entered into that certain Unsecured Indenture, dated as of June 1, 2011 (the "Unsecured Indenture"), relating to the $7^5/_8$% Senior Unsecured Notes due 2021 in original principal amount of $900,000,000 (the "Unsecured Notes").

WHEREAS, on the date hereof, the Acquisition has been consummated and each of the Supplemental Guarantors is a Restricted Subsidiary of the Company; and

WHEREAS, pursuant to Section 4.13 and Section 4.22(b) of the Indenture, each Supplemental Guarantor is required to become a Guarantor under the Unsecured Indenture; and

AGREEMENT

NOW, THEREFORE, the parties to this Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Unsecured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 10.02.

Section 2. This Supplemental Indenture is an amendment supplemental to the Unsecured Indenture, and the Unsecured Indenture and this Supplemental Indenture will henceforth be read together.

Section 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signature pages follow]

EH HOLDING CORPORATION

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

ECHOSTAR 77 CORPORATION
ECHOSTAR SATELLITE SERVICES L.L.C.
ECHOSTAR ORBITAL L.L.C.
ECHOSTAR GOVERNMENT SERVICES L.L.C.
ECHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Michael T. Dugan
Name: Michael T. Dugan
Title: President and Chief Executive Officer

HUGHES COMMUNICATIONS, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Senior Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Senior Vice President, General Counsel and Secretary

HNS FINANCE CORP.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HUGHES NETWORK SYSTEMS INTERNATIONAL SERVICE COMPANY,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS REAL ESTATE, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS-INDIA VSAT, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HNS-SHANGHAI, INC.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Vice President, General Counsel and Secretary

HELIUS, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

HELIUS ACQUISITION, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

ADVANCED SATELLITE RESEARCH, LLC,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean Manson
Title: Secretary

HNS LICENSE SUB, LLC,
as a Supplemental Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Senior Vice President, General Counsel and Secretary

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Richard Prokosch
Name: Richard Prokosch
Title: Vice President

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-162339 and No. 333-148416 on Form S-8 of EchoStar Corporation of our report dated March 7, 2011 relating to the consolidated financial statements of Hughes Communications, Inc. appearing in this Current Report on Form 8K of EchoStar Corporation dated June 9, 2011.

/s/ Deloitte & Touche LLP

Baltimore, Maryland
June 9, 2011

EchoStar Corporation Completes Hughes Communications, Inc. Acquisition

Combination creates a worldwide leader in satellite delivered video and broadband services

Englewood, Colorado and Germantown, Maryland, June 8, 2011—EchoStar Corporation (NASDAQ: SATS) and Hughes Communications, Inc. (NASDAQ: HUGH) announced today the successful completion of EchoStar's acquisition of Hughes.

EchoStar Corporation is recognized as a leader in the telecommunications industry for its innovation in satellite solutions and technology, and its broadcasting expertise. Hughes is the global leader in broadband satellite technologies and services, and a leading provider of managed network services. The combined companies will create a powerhouse in satellite based digital video and broadband technologies and services.

Under the terms of the transaction, Hughes' shareholders will receive $60.70 per share without interest, which represents a premium of 31% over Hughes' unaffected closing share price of $46.43 on January 19, 2011. The funding of the acquisition is being supported by the recent successful placement of $1.1 billion of senior secured notes and $900 million of senior unsecured notes.

"This strategic combination will significantly expand our know-how to develop exciting new video and data products and solutions, opening up global market opportunities that leverage our leadership in the delivery of innovative video and broadband data services," said Michael Dugan, Chief Executive Officer and President of EchoStar. "Hughes is the world's leading provider of satellite broadband for home and office, with innovative network technologies, managed services and solutions for enterprises and governments globally. The two companies together will have an extensive fleet of owned and leased satellites, experienced personnel and communications facilities around the world, creating a global leader in video and data transport."

"We also want to express our appreciation for the FCC's thorough but expeditious review process, approving the merger less than 82 days after public notice," said Mr. Dugan.

About EchoStar and Hughes

EchoStar Corporation (NASDAQ: SATS) is a premier global provider of satellite operations and digital TV solutions that enhance today's home entertainment lifestyle. Its wholly owned subsidiary Hughes is the world's leading provider of satellite broadband for home and office, delivering innovative network technologies and managed network services for enterprises and governments in more than 100 countries. Among the many offerings of this combined powerhouse in broadband data and video are HughesNet®, the market's #1 high-speed satellite Internet service; Sling Media's award-winning SlingLoaded® technology; and Move Networks' adaptive bit-rate streaming technology.

Headquartered in Englewood, Colo. with more than 4,600 employees worldwide, EchoStar has more than 25 years of experience designing, developing and distributing award-winning television set-top boxes, services and related delivery products for television. EchoStar delivers satellite broadband and transport services for enterprises, governments, small businesses, and consumers using 11 satellites and related broadcast licenses around the globe. For more information, please visit www.EchoStar.com and www.Hughes.com.

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995

EchoStar

Except for historical information contained herein, the matters set forth in this press release are forward-looking statements. The forward-looking statements set forth above involve a number of risks and uncertainties that could cause actual results to differ materially from any such statement, including the risks and uncertainties discussed in EchoStar Corporation's Disclosure Regarding Forward-Looking Statements included in its recent filings with the Securities and Exchange Commission, including its annual report on Form 10-K and its most recent quarterly report on Form 10-Q. The forward-looking statements speak only as of the date made, and EchoStar Corporation expressly disclaims any obligation to update these forward-looking statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Hughes Communications, Inc.
Germantown, Maryland

We have audited the accompanying consolidated balance sheets of Hughes Communications, Inc. and subsidiaries (the “Company”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hughes Communications, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Baltimore, Maryland
March 7, 2011

HUGHES COMMUNICATIONS, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 138,131	$ 261,038
Marketable securities	44,532	47,188
Receivables, net	186,692	163,816
Inventories	57,819	60,244
Prepaid expenses and other	26,127	22,476
Total current assets	453,301	554,762
Property, net	774,052	602,403
Capitalized software costs, net	46,092	49,776
Intangible assets, net	11,440	14,524
Goodwill	5,093	5,093
Other assets	73,197	75,836
Total assets	$ 1,363,175	$ 1,302,394
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 120,202	$ 119,461
Short-term debt	6,285	6,750
Accrued liabilities and other	128,790	131,774
Total current liabilities	255,277	257,985
Long-term debt	740,576	714,957
Other long-term liabilities	27,308	16,356
Total liabilities	1,023,161	989,298
Commitments and contingencies		
Equity:		
Hughes Communications, Inc. (“HCI”) stockholders’ equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized and no shares issued and outstanding as of December 31, 2010 and 2009	—	—
Common stock, $0.001 par value; 64,000,000 shares authorized; 21,834,787 shares and 21,633,539 shares issued and outstanding as of December 31, 2010 and 2009, respectively	22	22
Additional paid in capital	735,233	730,809
Accumulated deficit	(387,756)	(410,543)
Accumulated other comprehensive loss	(18,449)	(16,247)
Total HCI stockholders’ equity	329,050	304,041
Noncontrolling interests	10,964	9,055
Total equity	340,014	313,096
Total liabilities and equity	$ 1,363,175	$ 1,302,394

See accompanying Notes to the Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

	Year Ended December 31, 2010	2009	2008
Revenues:			
Services revenues	$ 791,324	$ 712,592	$ 611,247
Hardware revenues	252,003	297,107	449,106
Total revenues	1,043,327	1,009,699	1,060,353
Operating costs and expenses:			
Cost of services	493,023	448,804	406,697
Cost of hardware	234,805	289,516	378,264
Selling, general and administrative	206,512	180,675	177,848
Loss on impairments	—	50,639	—
Research and development	20,279	22,296	26,833
Amortization of intangible assets	3,084	5,457	6,419
Total operating costs and expenses	957,703	997,387	996,061
Operating income	85,624	12,312	64,292
Other income (expense):			
Interest expense	(59,345)	(64,119)	(51,327)
Interest income	2,043	2,222	4,377
Other income, net	374	214	178
Income (loss) before income tax expense and equity in earnings (losses) of unconsolidated affiliates	28,696	(49,371)	17,520
Income tax expense	(5,716)	(2,446)	(7,593)
Equity in earnings (losses) of unconsolidated affiliates	—	170	(599)
Net income (loss)	22,980	(51,647)	9,328
Net income attributable to the noncontrolling interests	(193)	(1,046)	(310)
Net income (loss) attributable to HCI stockholders	$ 22,787	$ (52,693)	$ 9,018
Income (loss) per share:			
Basic	$ 1.05	$ (2.46)	$ 0.44
Diluted	$ 1.00	$ (2.46)	$ 0.44
Shares used in computation of per share data:			
Basic	21,606,162	21,393,151	20,317,155
Diluted	22,738,207	21,393,151	20,633,833

See accompanying Notes to the Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in thousands, except per share amounts)

	HCI Shareholders' Equity						
	Common Stock ($.001 par value)	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total	Comprehensive Income (Loss)
Balance at January 1, 2008	$ 19	$ 631,300	$ (366,868)	$ (2,016)	$ 5,327	$ 267,762	
Issuance of common stock in connection with equity offering	2	93,044				93,046	
Issuance of common stock through exercise of stock options	—	75				75	
Issuance of restricted stock	1	—				1	
Retirement of restricted stock and bonus units		(6,032)				(6,032)	
Share-based compensation		5,724				5,724	
Other		447				447	
Comprehensive income (loss):							
Net income			9,018		310	9,328	$ 9,328
Foreign currency translation adjustments				(13,594)	(923)	(14,517)	(14,517)
Unrealized loss on hedging instruments				(13,931)	—	(13,931)	(13,931)
Reclassification of realized loss on hedging instruments				2,010	—	2,010	2,010
Unrealized loss on available-for-sale securities				(55)	—	(55)	(55)
Balance at December 31, 2008	$ 22	$ 724,558	$ (357,850)	$ (27,586)	$ 4,714	$ 343,858	$ (17,165)
Consolidation of Hughes Systique Corporation					3,372	3,372	
Retirement of restricted stock		(724)				(724)	
Share-based compensation		7,371				7,371	
Purchase of subsidiary shares from noncontrolling interests		(396)		(19)	(430)	(845)	
Comprehensive income (loss):							
Net income (loss)			(52,693)		1,046	(51,647)	$ (51,647)
Foreign currency translation adjustments				6,910	353	7,263	7,263
Unrealized gain on hedging instruments				2,180	—	2,180	2,180
Reclassification of realized loss on hedging instruments				4,701	—	4,701	4,701
Unrealized loss on available-for-sale securities				(2,433)	—	(2,433)	(2,433)
Balance at December 31, 2009	$ 22	$ 730,809	$ (410,543)	$ (16,247)	$ 9,055	$ 313,096	$ (39,936)
Share-based compensation		7,514				7,514	
Retirement of restricted stock and bonus units		(3,224)				(3,224)	
Issuance of common stock through exercise of stock options		134				134	

Investment in a joint venture					1,462	1,462	
Comprehensive income (loss):							
Net income			22,787		193	22,980	$ 22,980
Foreign currency translation adjustments				642	254	896	896
Unrealized loss on hedging instruments				(7,938)	—	(7,938)	(7,938)
Reclassification of realized loss on hedging instruments				5,559	—	5,559	5,559
Unrealized loss on available-for-sale securities				(465)	—	(465)	(465)
Balance at December 31, 2010	$ 22	$ 735,233	$ (387,756)	$ (18,449)	$ 10,964	$ 340,014	$ 21,032

See accompanying Notes to the Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2010	2009	2008
Cash flows from operating activities:			
Net income (loss)	$ 22,980	$ (51,647)	$ 9,328
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	131,586	102,731	68,937
Amortization of debt issuance costs	2,818	2,025	1,424
Share-based compensation expense	7,514	7,371	5,724
Equity in (earnings) losses from unconsolidated affiliates	—	(170)	599
Loss on impairments	—	50,639	—
Other	(56)	535	(97)
Change in other operating assets and liabilities, net of acquisition:			
Receivables, net	(22,371)	41,584	(2,540)
Inventories	1,697	6,438	(2,710)
Prepaid expenses and other	1,721	5,369	(9,319)
Accounts payable	20,098	13,954	6,314
Accrued liabilities and other	(17,266)	(27,447)	(5,957)
Net cash provided by operating activities	148,721	151,382	71,703
Cash flows from investing activities:			
Change in restricted cash	1,211	223	3,104
Purchases of marketable securities	(105,692)	(62,118)	(2,070)
Proceeds from sales of marketable securities	108,289	15,000	19,190
Expenditures for property	(282,819)	(150,764)	(81,669)
Expenditures for capitalized software	(13,073)	(12,772)	(14,564)
Proceeds from sale of property	205	397	—
Acquisition of Helius, Inc., net of cash received	—	—	(10,543)
Cash acquired, consolidation of Hughes Systique Corporation	—	828	—
Long-term loan receivable	—	(10,000)	—
Investment in Hughes Systique Corporation	—	—	(1,500)
Hughes Systique Corporation note receivables	—	—	(500)
Other, net	1,847	(830)	—
Net cash used in investing activities	(290,032)	(220,036)	(88,552)
Cash flows from financing activities:			
Short-term revolver borrowings	4,761	6,791	—
Repayments of revolver borrowings	(5,347)	(7,861)	—
Net increase in notes and loans payable	—	—	223
Proceeds from equity offering	—	—	93,046
Proceeds from exercise of stock options	134	—	75
Long-term debt borrowings	31,602	147,849	3,606
Repayment of long-term debt	(6,252)	(12,377)	(13,749)
Debt issuance costs	(7,140)	(4,612)	—
Net cash provided by financing activities	17,758	129,790	83,201
Effect of exchange rate changes on cash and cash equivalents	646	(3,914)	3,372
Net increase (decrease) in cash and cash equivalents	(122,907)	57,222	69,724
Cash and cash equivalents at beginning of the period	261,038	203,816	134,092
Cash and cash equivalents at end of the period	$ 138,131	$ 261,038	$ 203,816
Supplemental cash flow information:			
Cash paid for interest, net of amounts capitalized	$ 53,205	$ 60,410	$ 54,138
Cash paid for income taxes	$ 7,521	$ 5,659	$ 3,622
Supplemental non-cash disclosures related to:			
Capitalized software and property acquired, not paid	$ 26,954	$ 26,946	
Investment in Hughes Telematics, Inc.		$ 13,000	
Consolidation of Hughes Systique Corporation		$ 5,328	
95 West capital lease			$ 5,751

See accompanying Notes to the Consolidated Financial Statements

Note 1: Organization and Description of Business

Hughes Communications, Inc. ("HCI") and, together with its consolidated subsidiaries, the "Company" or "we") was formed as a Delaware corporation on June 23, 2005 and we are a publicly traded company. Our stock trades on the NASDAQ Global Select Market under the symbol "HUGH."

We operate our business primarily through our wholly-owned subsidiary, Hughes Network Systems, LLC ("HNS"). We are a telecommunications company that provides equipment and services to the broadband communications marketplace. We have extensive technical expertise in satellite, wireline and wireless communications which we utilize in a number of product and service offerings. In particular, we offer a spectrum of broadband equipment and services to the managed services market, which is comprised of enterprises with a requirement to connect a large number of geographically dispersed locations with reliable, scalable, and cost-effective applications, such as credit card verification, inventory tracking and control, and broadcast video. We provide broadband network services and systems to the international and domestic enterprise markets and satellite broadband Internet access to North American consumers, which we refer to as the Consumer market. In addition, we provide networking systems solutions to customers for mobile satellite, wireless backhaul systems and telematics. These services are generally provided on a contract or project basis and may involve the use of proprietary products engineered by us.

We have five reportable segments, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on the operating earnings of the respective segments. Our business segments include: (i) the North America Broadband segment; (ii) the International Broadband segment; (iii) the Telecom Systems segment; (iv) the HTS Satellite segment; and (v) the Corporate and Other segment. The North America Broadband segment consists of the Consumer group, which delivers broadband Internet service to consumer customers, and the Enterprise group, which provides satellite, wireline and wireless communication network products and services to enterprises. The International Broadband segment consists of our international service companies and provides managed network services and equipment to enterprise customers and broadband service providers worldwide. The Telecom Systems segment consists of the Mobile Satellite Systems group, the Terrestrial Microwave group, and the Telematics group. The Mobile Satellite Systems group provides turnkey satellite ground segment systems to mobile system operators. The Terrestrial Microwave group provides point-to-multipoint microwave radio network systems that are used for both cellular backhaul and broadband wireless access. The Telematics group provides development, engineering and manufacturing services to Hughes Telematics, Inc. ("HTI"). However, as a result of the unfavorable impact of the economy on the automobile industry in 2009, HTI terminated substantially all of the development, engineering and manufacturing services with us in August 2009. We expect our future revenue from the Telematics group to be insignificant. The HTS Satellite segment, which is a new segment starting in 2010, consists of activities related to the development, construction and launch of high throughput satellites ("HTS") and currently represents construction activities of our new satellite named Jupiter and the development of related network equipment. As a result of the newly established HTS Satellite segment in 2010, construction activities of Jupiter in 2009, which was included in the North America Broadband segment, have been reclassified to the HTS Satellite segment to conform to the current period presentation. The Corporate and Other segment includes certain minority interest investments held by us and our corporate offices and assets not specifically related to another business segment.

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with: (i) generally accepted accounting principles in the United States of America ("GAAP"); (ii) the instructions to Form 10-K; and (iii) the guidance of Rule 10-01 of Regulation S-X under the Securities and Exchange Act of 1934, as amended, for financial statements required to be filed with the Securities and Exchange Commission ("SEC"). They include the assets, liabilities, results of operations and cash flows of the Company, including its domestic and foreign subsidiaries that are more than 50% owned or for which the Company is deemed to be the primary beneficiary as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "ASC" or the "Codification") 810, "Consolidation." Entities in which the Company holds at least 20% ownership or in which there are other indicators of significant influence are generally accounted for by the equity method, whereby the Company records its proportionate share of the entities' results of operations. Entities in which the Company holds less than 20% ownership and does not have the ability to exercise significant influence are generally carried at cost. As a result of our new segment in 2010, the HTS

Satellite segment, certain prior period items in these consolidated financial statements have been reclassified to conform to the current period presentation.

Effective January 1, 2009, we adopted the update to ASC 810 relating to noncontrolling interests, which did not have a material impact on our financial condition, results of operations or cash flows. However, the update impacted the presentation and disclosure of noncontrolling interests on our consolidated financial statements. As a result, certain prior period items in these consolidated financial statements have been reclassified to conform to the current period presentation.

All intercompany balances and transactions with subsidiaries and other consolidated entities have been eliminated.

Use of Estimates in the Preparation of the Consolidated Financial Statements

The preparation of our consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates.

Market Concentrations and Credit Risk

We provide services and extend credit to a number of communications equipment customers, service providers, and a large number of consumers, both in the United States and around the world. We monitor our exposure to credit losses and maintain, as necessary, allowances for anticipated losses. No single customer accounted for more than 10% of total annual revenues in any of the periods presented in this report. Financial instruments which potentially subject us to a concentration of credit risk consist of cash, cash equivalents and marketable investments. Although we maintain cash balances at financial institutions that exceed federally insured limits, these balances are placed with high credit quality financial institutions.

Revenue Recognition

Service revenues and hardware revenues are generally recognized when services are rendered or products are installed and as title passes to those customers, net of sales taxes. Billings for revenues that have not been earned are deferred and recognized in the period when earned. In situations where customer offerings represent a bundled arrangement for both services and hardware, revenue elements are separated into their relevant components (services or hardware) for revenue recognition purposes. We offer a rebate to qualifying new consumer subscribers and record a reduction in revenue in the same period in which the related sale occurs based on an estimate of the number of rebates that will be redeemed. This estimate is based on historical experience and actual sales during the promotion.

Our consumer rental program allows consumer customers to rent the equipment with a 24-month service contract. Once the initial contract ends, it becomes a month-to-month contract. Revenue on the rental equipment is recognized on a monthly basis as service revenue until the customer terminates the contracts with us.

In August 2010, we were awarded $58.7 million from the U.S. Government as the only national provider of high-speed satellite broadband service under the broadband stimulus programs, established pursuant to the American Recovery and Reinvestment Act of 2009. Under the consumer broadband stimulus program, eligible consumer customers have month-to-month service contracts and do not have to pay for the rental of the equipment.

All upfront fees collected in connection with the service arrangements are deferred and recognized as service revenue over the term of the customer arrangement.

In addition to providing standard product and service offerings, we also enter into contracts to design, develop and deliver telecommunication networks to customers. These contracts for telecommunication networks require significant effort to develop and construct the network, over an extended time period. Revenues are also earned from long-term contracts for the sale of mobile satellite communications systems. Sales under these long-term contracts are recognized using the percentage-of-completion (cost-to-cost) method of accounting. Under this method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized, based on the ratio of costs incurred to estimated total costs at completion. Profits expected to be realized on long-term

contracts are based on estimates of total sale values and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Under the terms of the April 22, 2005 agreement entered into between LightSquared, Inc. (“LightSquared,” formerly SkyTerra Communications, Inc.) and DTV Network Systems, Inc. (“DTV Networks”) whereby LightSquared acquired 50% of HNS voting, or Class A membership interests, DIRECTV retains the tax benefits from the net operating losses generated by DTV Networks and has responsibility for all of the pre-closing domestic and international income tax liabilities of DTV Networks. We have recorded a liability in the balance sheet for the estimated amount we may be required to pay to DIRECTV resulting from prepaid taxes exceeding tax liabilities as of April 22, 2005.

We record net deferred tax assets to the extent we believe these assets will more-likely-than-not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which may reduce the provision for income taxes.

Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. It also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.The Company recognizes interest accrued related to unrecognized tax benefits in operating expenses and penalties in income tax expense in the consolidated statements of operations.

As a result of the revision in ASC 805, “Business Combinations,” effective January 1, 2009, adjustments recorded to the valuation allowance related to deferred tax assets recognized in connection with earlier business combinations will impact tax expense in lieu of recording an adjustment to intangible assets.

Cash and Cash Equivalents

We consider all highly liquid investments with original maturities of ninety days or less at the date of investment to be cash equivalents.

Restricted Cash

Cash subject to restrictions expiring within one year is included in Prepaid expenses and other in the accompanying Consolidated Balance Sheets. Cash subject to restrictions expiring beyond one year is included in Other assets in the accompanying Consolidated Balance Sheets. As of December 31, 2010 and 2009, we had $0.7 million and $1.9 million of restricted cash, respectively, which secures certain of our letters of credit. As of December 31, 2010, restrictions on the cash relating to letters of credit will be released as the letters of credit expire through December 2013.

Marketable Securities

We classify all debt securities with original maturities exceeding ninety days as available-for-sale investments in accordance with ASC 320, "Investment—Debt and Equity Securities." Securities classified as available-for-sale securities are carried at fair value with the related unrealized gains and losses reported as a component of accumulated other comprehensive loss ("AOCL"). Fair value is based on quoted market prices as of the reporting date. The book value of these securities is adjusted for amortization or accretion of premium and discounts over the contractual lives of the securities, which is included in Interest income in the accompanying Consolidated Statements of Operations.

Available-for-sale investments in debt securities that have an unrealized loss are evaluated for impairment in accordance with ASC 320. Our management uses judgments to evaluate each security held at a loss based on market conditions and other factors to determine if the decline in the market value of the security indicates an other-than-temporary impairment. When our management believes that the security is impaired, we recognize the impairment charge by writing down the amortized cost basis of the security to its estimated fair market value.

The Company had no investments classified as trading or held-to-maturity at December 31, 2010 and 2009.

Property and Depreciation

Property and equipment are carried at cost and depreciated or amortized on a straight-line basis over their estimated useful lives, generally three to thirty years. Land is carried at cost, and land improvements are depreciated over ten years. Buildings are depreciated over thirty years. Leasehold improvements are amortized over the lesser of their estimated useful lives or lease term.

A significant component of our property and equipment is the capitalized costs associated with the satellite and related assets, which include costs associated with the construction of the satellite, launch services, insurance premiums for the satellite launch and the in-orbit testing period, capitalized interest incurred during the construction of the satellite, and other costs directly related to the satellite. Capitalized satellite costs are depreciated on a straight-line basis over the estimated useful life of 15 years. The Company periodically reviews, at least annually, the remaining estimated useful life of the satellite to determine if revisions to the estimated life are necessary.

Our Consumer rental equipment is related to our consumer rental program which allows consumer customers to rent the equipment with a 24-month service contract. Once the initial contract ends, it becomes a month-to-month contract. Consumer rental equipment includes the cost of installation and customer premise equipment, which is depreciated on a straight-line basis over the estimated useful life of 2-4 years.

Capitalized Software Costs

Software development costs are capitalized in accordance with ASC 985-20, "Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." Capitalized software development costs are amortized using the straight-line method over their estimated useful lives, not in excess of five years. Software program reviews are conducted at least annually, or as events and circumstances warrant such a review, to ensure that capitalized software development costs are not impaired and that costs associated with programs that are no longer generating revenue are expensed. Amortization of software development costs was $10.1 million, $14.2 million and $11.3 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Intangible Assets

Intangible assets acquired in connection with business combinations which have finite lives are amortized on a straight-line basis over their estimated useful lives. Intangible assets are retired when they are fully amortized. Intangible assets and their estimated useful lives as of December 31, 2010 are as follows:

	Life (Years)
Customer relationships	7 – 8
Patented technology	8
Trademarks	10
Favorable leases	3

Goodwill

Goodwill is the excess of purchase price over the fair value of identified net assets of businesses acquired. Goodwill is accounted for in accordance with ASC 350, "Intangibles—Goodwill and Other." Under the provisions of this statement, the Company's goodwill is tested at the reporting unit level for impairment on an annual basis during the fourth quarter, or earlier if events and circumstances occur indicating that goodwill might be impaired. During 2010, 2009 and 2008, the Company did not recognize any goodwill impairment charges.

Debt Issuance Costs

Debt issuance costs are amortized based upon the lives of the associated debt obligations using the effective interest method with such amortization included in Interest expense in the accompanying Consolidated Statements of Operations. For the years ended December 31, 2010, 2009 and 2008, we amortized $2.8 million, $2.0 million and $1.4 million, respectively, of debt issuance costs related to our debts. As of December 31, 2010 and 2009, the Company had $17.2 million and $12.9 million, respectively, of unamortized debt issuance costs included in Other assets in the accompanying Consolidated Balance Sheets.

Subscriber Acquisition Costs (“SAC”)

SAC is an important component of our costs to acquire new consumer subscribers. SAC consists of costs paid to third-party dealers and customer service representative commissions on new installations and, in certain cases, the cost of hardware and installation provided to customers at the inception of service or cost of services for activities related to the consumer rental program, which we began to offer to our consumer customers in September 2008. SAC is deferred when a customer commits to a service agreement, and the deferred SAC is amortized over the commitment period as the related service revenue is earned. Prior to 2007, service agreements were 12 to 15 months in duration. In May 2007, the Company began to offer only 24 month service agreements. Customers who receive hardware and installation under these service agreements have a higher monthly service rate than is charged to customers who purchase their equipment outright at the inception of service. The Company monitors the recoverability of subscriber acquisition costs and is entitled to an early termination fee (secured by customer credit card information) if the subscriber cancels service prior to the end of the commitment period. The recoverability of deferred subscriber acquisition costs is reasonably assured through the increased monthly service fee charged to customers, the ability to recover the equipment, and/or the ability to charge an early termination fee. At December 31, 2010 and 2009, the Company had $25.7 million and $29.9 million of deferred SAC, respectively, included in Other assets in the accompanying Consolidated Balance Sheets.

Valuation of Long-Lived Assets

The Company evaluates the carrying value of long-lived assets to be held and used annually or when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the carrying value of the asset exceeds the aggregate amount of its separately identifiable undiscounted future cash flows. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived asset. Changes in estimates of future cash flows could result in a write-down of long-lived assets in a future period. During 2010 and 2008, the Company did not recognize any impairment charges on long-lived assets. In 2009, the Company recognized $50.6 million of impairment charges on long-lived assets associated mainly with our prepaid deposit (the “Deposit”) paid to Sea Launch Company, LLC (“Sea Launch”). See Note 22— Commitments and Contingencies for further detail.

Foreign Currency

Certain foreign operations have determined the local currency to be their functional currency. Accordingly, these foreign entities translate assets and liabilities from their local currencies to U.S. dollars using period-end exchange rates while income and expense accounts are translated at the average rates in effect during the period. The resulting translation adjustment is recorded in AOCL, a separate component of equity. Translation adjustments for foreign currency denominated equity investments are not material and are recorded as part of AOCL.

The Company also has foreign operations where the U.S. dollar has been determined as the functional currency. Gains and losses resulting from re-measurement of the foreign currency denominated assets, liabilities and transactions into the U.S. dollar are recognized currently in the statements of operations and were not material in each of the periods presented herein.

Investments and Financial Instruments

The Company maintains its investments in equity securities in Other assets in the accompanying Consolidated Balance Sheets. Non-marketable equity securities are carried at cost. Marketable equity securities are considered available-for-sale and carried at fair value based on quoted market prices with unrealized gains or losses (excluding other-than-temporary losses), reported as part of AOCL. The Company continually reviews its investments to determine whether a decline in fair value below the cost basis is “other-than-temporary.” The Company considers, among other factors: the magnitude and duration of the decline; the financial health and business outlook of the investee, including industry and sector performance, changes in technology, and operational and financing

cash flow factors; and the Company’s intent and ability to hold the investment. If the decline in fair value is judged to be other-than-temporary, the carrying value of the security is written down to its estimated fair value, and the impairment on the security is recognized in the statements of operations in (i) Other income (loss), net and recorded as a reclassification adjustment from AOCL for marketable equity securities and (ii) Loss on impairments for non-marketable securities.

Investments in which the Company owns at least 20% of the voting securities or has significant influence are accounted for under the equity method of accounting. Equity method investments are recorded at cost and adjusted for the appropriate share of the net earnings or losses of the investee. The carrying value of investments may include a component of goodwill if the cost of our investment exceeds the fair value of the investment, and any such goodwill is subject to an evaluation for impairment pursuant to ASC 323—“Investments—Equity Method and Joint Ventures.” Investee losses are recorded up to the amount of the investment plus advances and loans made to the investee, and financial guarantees made on behalf of the investee. In certain instances, this can result in the Company recognizing investee earnings or losses in excess of its ownership percentage. We had cost method investments of $6.7 million and $7.0 million as of December 31, 2010 and 2009, respectively, and equity method investments of $8.3 million as of each December 31, 2010 and 2009.

The carrying value of cash and cash equivalents; receivables, net; other assets; accounts payable; and amounts included in accrued liabilities and other liabilities meeting the definition of a financial instrument approximated their respective fair value at December 31, 2010 and 2009 because of their short-term maturity.

The Company carries all derivative financial instruments in the balance sheets at fair value based on quoted market prices. The Company uses derivative contracts to minimize the financial impact of changes in the fair value of recognized assets, liabilities, and unrecognized firm commitments, or the variability of cash flows associated with forecasted transactions in accordance with internal risk management policies. Changes in fair value of designated, qualified, and effective fair value hedges are recognized in earnings as offsets to the changes in fair value of the related hedged items. Changes in fair value of designated, qualified, and effective cash flow hedges are deferred and recorded as a component of AOCL until the hedged transactions occur and are recognized in earnings. Changes related to amounts excluded from the effectiveness assessment of a hedging derivative's change in fair value and the ineffective portion of a hedge is immediately recognized in the statements of operations. Both at the inception of the hedge and on an on-going basis, we assess whether the derivatives are highly effective. Hedge accounting is prospectively discontinued when hedge instruments are no longer highly effective. During 2010 and 2009, the Company did not enter into any material hedge transactions.

The Company enters into interest rate swaps from time to time to manage its interest rate exposure. These derivatives may be designated as cash flow hedges or fair value hedges depending on the nature of the risk being hedged. Derivatives used to hedge risk associated with changes in the cash flows of certain variable rate debt obligations are designated as cash flow hedges. Derivatives used to hedge risk associated with changes in the fair value of certain fixed rate debt obligations are designated as fair value hedges. Consequently, changes in the fair value of the hedged debt obligations that are attributable to the hedged risk are recognized in the current period earnings.

The Company's cash flows and earnings are subject to fluctuations resulting from changes in foreign currency exchange rates, interest rates, and changes in the market value of its equity investments. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. We enter into derivative instruments only to the extent considered necessary to meet our risk management objectives and do not enter into derivative contracts for speculative purposes.

The Company generally conducts its business in U.S. dollars with some business conducted in a variety of foreign currencies and, therefore, is exposed to fluctuations in foreign currency exchange rates. Our objective in managing our exposure to foreign currency changes is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, we enter into foreign exchange contracts to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions. The gains and losses on derivative foreign exchange contracts offset changes in the value of the related exposures. As of December 31, 2010 and 2009, we had purchased foreign exchange contracts totaling $5.9 million and $4.1 million, respectively, to mitigate foreign currency fluctuation risks associated with short-term U.S. dollar denominated obligations. The differences between the face amount of the foreign exchange contracts and their estimated fair values were not material at December 31, 2010 and 2009. All of the forward exchange contracts outstanding at December 31, 2010 expire in 2011.

The Company is exposed to credit risk in the event of non-performance by the counterparties to its derivative financial instrument contracts. While the Company believes this risk is remote, credit risk is managed through the periodic monitoring and approval of financially sound counterparties.

Net Earnings (Loss) Per Common Share

Basic net earnings (loss) per common share is computed by dividing net income (loss) attributable to HCI stockholders by the weighted average number of common shares outstanding. Diluted net earnings (loss) per common share reflects the potential dilution from the exercise or conversion of securities into the Company's common stock. However, in accordance with ASC 260, "Earnings Per Share," potential common shares have been excluded from the computation of any diluted per share amount in periods when a loss from continuing operations exists, such as 2009. The potential dilutive effect of outstanding stock options and warrants is calculated using the "treasury stock" method. The Company excluded 547,400 stock options that were granted in 2008 from the computation of diluted net earnings (loss) per common share for 2008, as the effect would have been anti-dilutive.

The following table provides a reconciliation of the shares used in calculating earnings (loss) per common share:

	Year Ended December 31,		
	2010	2009	2008
Basic weighted average common shares outstanding	21,606,162	21,393,151	20,317,155
Effect of dilutive securities:			
Restricted stock units	11,615	—	51,070
Restricted stock awards	120,714	—	201,829
Options to purchase common stock	322,211	—	63,779
HNS Bonus Unit Plan	31,803	—	—
HNS Class B Unit Plan	645,702	—	—
Diluted weighted average common shares outstanding	22,738,207	21,393,151	20,633,833

New Accounting Pronouncements

Recently Adopted Accounting Guidance

In January 2010, the FASB issued Accounting Standard Update ("ASU") 2010-06 to improve disclosures about fair value measurements. ASU 2010-6 clarifies certain existing disclosures and requires new disclosure regarding significant transfers in and out of Level 1 and Level 2 of fair value measurements and the reasons for the transfer. In addition, ASU 2010-06 clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The amendments in ASU 2010-06 were effective for fiscal years beginning after December 15, 2009, and for interim periods within those fiscal periods. The adoption of ASU 2010-06 did not have a material impact on our disclosure about fair value measurements.

In June 2009 and December 2009, the FASB amended ASC 810 changing certain consolidation guidance and requiring improved financial reporting by enterprises involved with variable interest entities ("VIE"). The amendments provide guidance in determining when a reporting entity should include the assets, liabilities, noncontrolling interest and results of activities of a VIE in its consolidated financial statements. The amendments to ASC 810 were effective for the first annual reporting period beginning after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The adoption of amendments to consolidation rules did not have any impact on our disclosures relating to our VIE activity and our financial statements.

Accounting Guidance Not Yet Effective

In October 2009, the FASB issued ASU 2009-14 to amend ASC 605 "Revenue Recognition." The amendments in this update change the accounting model for revenue arrangements that include both tangible products and software elements. The amendments in ASU 2009-14 will be effective for us beginning January 1, 2011. We believe that ASU 2009-13 will not have a material impact on our financial statements.

In October 2009, the FASB issued ASU 2009-13 amending ASC 605 related to revenue arrangements with multiple deliverables. Among other things, ASU 2009-13 provides guidance for entities in determining the accounting for multiple deliverable arrangements and establishes a hierarchy for determining the amount of revenue to allocate to the various deliverables. The amendments in ASU

2009-13 will be effective for us beginning January 1, 2011. We believe that ASU 2009-13 will not have a material impact on our on our financial statements

Note 3: Consolidation of Hughes Systique Corporation

Hughes Systique Corporation ("Hughes Systique") is a communications consulting and software company. HNS has contracts with Hughes Systique for software development services. The founders of Hughes Systique include Pradman Kaul, our Chief Executive Officer ("CEO") and President and certain former employees of HNS, including Pradeep Kaul, who is the CEO and President of Hughes Systique, HNS' former Executive Vice President and the brother of our CEO and President. The Company acquired an equity investment in Hughes Systique Series A Preferred Stock ("HSC Preferred Stock") of $3.0 million and $1.5 million in October 2005 and January 2008, respectively.

In February 2008, the Company and Nextwave Broadband Inc. ("Nextwave"), a former significant shareholder of Hughes Systique, agreed to make available to Hughes Systique a term loan facility (the "Loan") of up to $3.0 million. Under the Loan, each loan request was to be at least $1.0 million, and the Loan was to be funded equally by the Company and Nextwave. The Loan has a fixed interest rate of 6%, and it is convertible into common shares of Hughes Systique upon non-payment or an event of default. Hughes Systique has the option to pay the interest annually or to convert the interest to principal as a "payment in kind." In February 2008, the Company and Nextwave each funded $0.5 million as part of a $1.0 million loan drawdown by Hughes Systique under the Loan. In March 2009, Hughes Systique requested and the Company funded the remaining $1.0 million of its original $1.5 million loan commitment. As a result, the Company is not obligated to provide any further funding to Hughes Systique under the Loan.

On March 11, 2009, Hughes Systique entered into a termination and settlement agreement with Nextwave (the "Termination Agreement"). The Termination Agreement provided for the following: (i) Hughes Systique relieved Nextwave of its obligation to fund its remaining commitment under the Loan; (ii) Nextwave waived Hughes Systique's obligation to repay amounts previously funded, together with accrued interest; and (iii) Hughes Systique waived Nextwave's obligations for the purchase of services under existing agreements between Nextwave and Hughes Systique and Nextwave's obligation to repay outstanding accounts receivable of approximately $0.8 million. Additionally, Nextwave's ownership in HSC Preferred Stock, which represented approximately 31.79% of Hughes Systique's equity, was converted to a reduced level of ownership, representing a 5% interest in Hughes Systique's common stock. The effect of these transactions has increased, on an undiluted basis, our ownership in Hughes Systique to approximately 45.23% and the ownership of our CEO and President and his brother in Hughes Systique to approximately 25.61%. Pursuant to ASC 810, these transactions caused a reconsideration event on March 11, 2009, resulting in the Company becoming the "primary beneficiary" of Hughes Systique, a VIE. As a result, the Company is required to consolidate Hughes Systique's assets and liabilities and results of operations for periods beginning on or after March 12, 2009 (the "Consolidation Date"). In accordance with ASC 805 "Business Combinations," the basis of Hughes Systique's assets and liabilities were adjusted to their fair values. The excess of the fair value of the net assets consolidated from Hughes Systique over their carrying value has been reflected as goodwill in accordance with ASC 805. We believe that the goodwill resulting from the consolidation of Hughes Systique corresponds to the expected future prospects of Hughes Systique. The total amount of goodwill is not expected to be deductible for tax purposes.

The following table summarizes the fair values of Hughes Systique's assets and liabilities at the Consolidation Date (in thousands):

	Amount
Current assets	$ 5,250
Property	717
Intangible assets	1,329
Goodwill	2,432
Total assets	9,728
Current liabilities	(2,808)
Long-term liabilities	(763)
Total liabilities	(3,571)
Net assets consolidated prior to noncontrolling interest	6,157
Noncontrolling interest	(3,372)
Net assets consolidated	$ 2,785

Based on the valuation of Hughes Systique's intangible assets, using an income approach, the fair values of the intangible assets at the Consolidation Date were as follows (in thousands):

	Weighted Average Useful Lives (years)		Amount
Customer relationships	7	$	620
Favorable leases	3		629
Backlog	2		80
Total amortizable intangible assets	5	$	1,329

Hughes Systique's revenue, after eliminating inter-company transactions, was $4.7 million for the year ended December 31, 2010 compared to $2.4 million for the same period in 2009 (since the acquisition date). Pro forma financial statements are not presented for Hughes Systique at the acquisition date as its results of operations were not material to our consolidated financial statements.

Note 4: Marketable Securities

The amortized cost basis and estimated fair values of available-for-sale marketable securities are summarized as follows (in thousands):

		Cost Basis	Gross Unrealized					Estimated Fair Value
				Losses		Gain		
December 31, 2010:								
Municipal commercial paper	$	17,875	$	—	$	—	$	17,875
U.S. government bonds and treasury bills		5,000		—		—		5,000
Other debt securities		21,665		(8)		—		21,657
Total available-for-sale securities	$	44,540	$	(8)	$	—	$	44,532
December 31, 2009:								
U.S. government bonds and treasury bills	$	22,155	$	—	$	6	$	22,161
Other debt securities		25,019		—		8		25,027
Total available-for-sale securities	$	47,174	$	—	$	14	$	47,188

Our investments in municipal commercial papers have A-1/A-1+ and P-1 ratings from Standard & Poor's ("S&P") and Moody's, respectively, and our investments in U.S. government bonds and treasury bills have AAa and Aaa ratings from S&P and Moody's, respectively. The investments in Other debt securities have A-1/A-1+ and P-1 ratings from S&P and Moody's, respectively. In addition to these investments, we hold marketable equity securities as a long-term investment in Other assets (see Note 10—Other Assets for further discussion).

Note 5: Receivables, Net

Receivables, net consisted of the following (in thousands):

	December 31,			
		2010		2009
Trade receivables	$	172,309	$	154,863
Contracts in process		25,208		16,952
Other receivables		4,332		4,101
Total receivables		201,849		175,916
Allowance for doubtful accounts		(15,157)		(12,100)
Total receivables, net	$	186,692	$	163,816

Trade receivables included $5.8 million and $8.7 million of amounts due from affiliates as of December 31, 2010 and 2009, respectively. Advances and progress billings offset against contracts in process amounted to $2.8 million and $0.3 million as of December 31, 2010 and 2009, respectively.

Note 6: Inventories

Inventories consisted of the following (in thousands):

	December 31,			
		2010		2009
Production materials and supplies	$	7,270	$	7,896
Work in process		12,828		15,615
Finished goods		37,721		36,733
Total inventories	$	57,819	$	60,244

Inventories are carried at the lower of cost or market, principally using standard costs adjusted to reflect actual cost, based on variance analyses performed throughout the year. Inventories are adjusted to net realizable value using management's best estimates of future use. In making its assessment of future use or recovery, management considers the aging and composition of inventory balances, the effects of technological and/or design changes, forecasted future product demand based on firm or near-firm customer orders and alternative means of disposition of excess or obsolete items.

Note 7: Property, Net

Property, net consisted of the following (dollars in thousands):

		Estimated Useful Lives (years)	December 31, 2010	December 31, 2009
Land and improvements		10	$ 5,888	$ 5,885
Buildings and leasehold improvements		2 - 30	35,643	32,996
Satellite related assets		15	380,394	380,394
Machinery and equipment		1 - 7	213,419	179,923
Consumer rental equipment		2 - 4	140,616	71,725
VSAT operating lease hardware		2 - 5	13,137	18,945
Furniture and fixtures		5 - 7	1,732	1,571
Construction in progress	—Jupiter		238,358	66,555
	—Other		15,924	12,888
Total property			1,045,111	770,882
Accumulated depreciation			(271,059)	(168,479)
Total property, net			$ 774,052	$ 602,403

Satellite related assets primarily consist of SPACEWAY™ 3 ("SPACEWAY 3"), a broadband satellite system with a unique architecture for broadband data communications. In April 2008, we placed SPACEWAY 3 into service and began to depreciate its related costs on a straight-line basis over the estimated useful life of 15 years. Satellite related assets include the costs associated with the construction and launch of the satellite, insurance premiums for the satellite launch and the in-orbit testing period, interest incurred during the construction of the satellite, and other costs directly related to the satellite.

In June 2009, HNS entered into an agreement with Space Systems/Loral, Inc. ("SS/L") under which SS/L will manufacture Jupiter, our next-generation and geostationary high throughput satellite. Jupiter will employ a multi-spot beam, bent pipe Ka-band architecture and will provide additional capacity for the HughesNet service in North America. The construction of Jupiter began in July 2009 and

we began to capitalize all direct costs associated with the construction and the launch of the satellite, including interest incurred during the construction of the satellite. Jupiter is scheduled to be launched in the first half of 2012.

We capitalized $14.0 million and $1.7 million of interest for 2010 and 2009, respectively, related to the construction of Jupiter. In 2008, we capitalized $4.8 million of interest related to the construction of SPACEWAY 3. During 2010, 2009 and 2008, depreciation expense for property was $111.6 million, $83.1 million and $51.2 million, respectively.

Note 8: Intangible Assets, Net

Intangible assets, net consisted of the following (dollars in thousands):

	Estimated Useful Lives (years)	Cost Basis	Accumulated Amortization	Net Basis
December 31, 2010:				
Customer relationships	7 - 8	$ 10,405	$ (5,473)	$ 4,932
Patented technology and trademarks	8 - 10	15,275	(9,012)	6,263
Favorable leases	3	629	(384)	245
Total intangible assets, net		$ 26,309	$ (14,869)	$ 11,440
December 31, 2009:				
Backlog and customer relationships	2 - 8	$ 22,312	$ (16,133)	$ 6,179
Patented technology and trademarks	2 - 10	15,745	(7,854)	7,891
Favorable leases	3	629	(175)	454
Total intangible assets, net		$ 38,686	$ (24,162)	$ 14,524

We amortize the recorded values of our intangible assets over their estimated useful lives. As of December 31, 2010, $12.4 million of fully amortized intangible assets were retired and as a result, it is not included in the balance included in the table above. For the years ended December 31, 2010, 2009 and 2008, we recorded $3.1 million, $5.5 million and $6.4 million, respectively, of amortization expense. In 2010, we did not incur costs to renew or extend the term of our intangible assets. Estimated future amortization expense as of December 31, 2010 is as follows (in thousands):

	Amount
Year ending December 31,	
2011	3,028
2012	2,854
2013	2,818
2014	1,326
2015	1,326
Thereafter	88
Total estimated future amortization expense	$ 11,440

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

Note 9: Goodwill

Goodwill consisted of the following (in thousands):

	Amount
Balance at December 31, 2008	$ 2,661
Goodwill related to consolidation of Hughes Systique	2,432
Total goodwill at December 31, 2010 and 2009(1)	$ 5,093

(1) Consisted of $2.6 million related to the North America Broadband segment and $2.4 million related to the Corporate and Other segment.

Note 10: Other Assets

Other assets consisted of the following (in thousands):

	December 31, 2010	December 31, 2009
Subscriber acquisition costs	$ 25,695	$ 29,884
Debt issuance costs	17,150	12,899
Other	30,352	33,053
Total other assets	$ 73,197	$ 75,836

As of December 31, 2010, "Other" included our cost method and equity method investments, which includes our investment in HTI. On March 12, 2009, we exchanged $13.0 million of receivables that HTI owed to us for HTI convertible preferred stock ("HTI Preferred Stock") as part of a $50.0 million private placement of HTI Preferred Stock. In connection with the merger of HTI with Polaris Acquisition Corp. (the "HTI Merger"), which occurred on March 31, 2009, HTI became a publicly traded company and our HTI Preferred Stock was converted into approximately 3.3 million shares of HTI common stock ("HTI Shares"), of which 1.3 million shares and 2.0 million shares are referred to as Non-escrowed shares and Escrowed shares, respectively. The Escrowed shares are subject to certain restrictions and/or earn-out provisions pursuant to the HTI Merger agreement.

As of December 31, 2010, the Non-escrowed shares had a fair value of $3.8 million. We recorded an unrealized loss of $0.5 million for the year ended December 31, 2010 and of $2.9 million since the inception of our investment in the Non-escrowed shares in AOCL.

The Escrowed Shares are held by HTI in escrow, and the release of these shares is subject to various earn-out provisions based on HTI attaining specified stock prices of $20.00, $24.50 and $30.50 over specified periods within 5 years of the Merger. If the full earn-out is achieved, our investment could represent approximately 3.6% of HTI's outstanding common stock. If the earn-out is not attained, all or a portion of the Escrowed Shares will be forfeited. In addition to the risk and valuation fluctuations associated with the earn-out target, the carrying value of the investment in HTI may be subject to fair value adjustments in future reporting periods. We account for the Escrowed Shares using the cost method in accordance with ASC 325 "Investments—Other," as the Escrowed Shares are not considered marketable equity securities as of December 31, 2010. In accordance with ASC 320-10-35, "Investments—Debt and Equity Securities—Subsequent Measurement", we recognized $5.2 million of other than temporary impairment loss in December 2009 based on our estimate of fair value of Escrowed Shares in "Loss on impairments" included in the accompanying Consolidated Statements of Operations. HTI investment is related to our Corporate and Other segment. As of December 31, 2010, the carrying value and estimated fair value of the HTI Escrowed Shares was $1.1 million and $0.5 million, respectively.

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

Note 11: Accrued Liabilities and Other

Accrued liabilities and other consisted of the following (in thousands):

	December 31, 2010	December 31, 2009
Accrued and other liabilities	$ 47,107	$ 44,456
Progress billings to customers	40,912	47,911
Payroll and other compensation	27,698	26,512
Accrued interest expense	13,073	12,895
Total accrued liabilities and other	$ 128,790	$ 131,774

Note 12: Debt

Short-term and the current portion of long-term debt consisted of the following (dollars in thousands):

	Interest Rates at December 31, 2010	December 31, 2010	December 31, 2009
VSAT hardware financing	7.27% - 15.00%	$ 3,109	3,158

Revolving bank borrowings	8.75%	967	1,547
Capital lease and other	5.50% - 39.60%	2,209	2,045
Total short-term and the current portion of long-term debt		$ 6,285	$ 6,750

As of December 31, 2010, HNS had outstanding revolving bank borrowings of $1.0 million, which had a variable interest rate of 8.75%. The borrowing was obtained by HNS' Indian subsidiary under its revolving line of credit with a local bank. There is no requirement for compensating balances for these borrowings. The total amount available for borrowing by our foreign subsidiaries under various revolving lines of credit was $4.1 million as of December 31, 2010.

Long-term debt consisted of the following (dollars in thousands):

	Interest Rates at December 31, 2010	December 31, 2010	2009
Senior Notes(1)	9.50%	$ 590,173	$ 587,874
Term Loan Facility	7.62%	115,000	115,000
COFACE Guaranteed Facility	5.13%	27,403	—
VSAT hardware financing	7.27% - 15.00%	3,214	5,861
Capital lease and other	5.50% - 39.60%	4,786	6,222
Total long-term debt		$ 740,576	$ 714,957

(1) Includes 2006 Senior Notes and 2009 Senior Notes.

On October 29, 2010, HNS entered into a $115 million loan agreement with BNP Paribas and Societe Generale ("COFACE Guaranteed Facility"), which is guaranteed by COFACE, the French Export Credit Agency, to finance the launch related costs for Jupiter satellite. Pursuant to the COFACE Guaranteed Facility agreement, loan draw-downs, which began in the fourth quarter of 2010, will occur over the construction period for the launch vehicle up to the time of the launch, which is estimated to be in the first half of 2012. COFACE Guaranteed Facility has a fixed interest rate of 5.13%, payable semi-annually in arrears starting six months after each borrowing, and requires that principal repayments are to be paid in 17 consecutive equal semi-annual installments starting the earlier of (i) six months after the in-orbit delivery, or (ii) December 1, 2012. The agreement also contains covenants and conditions which are customary for financings of this type. As of December 31, 2010, HNS had $27.4 million of borrowings outstanding under the loan and an available borrowing capacity of $87.6 million.

On March 16, 2010, HNS entered into a credit agreement with JP Morgan Chase Bank, N.A. and Barclays Capital to amend and restate its senior secured $50 million revolving credit facility (the "Revolving Credit Facility"). Pursuant to the terms of the agreement, among other changes, the maturity date of the Revolving Credit Facility was extended to March 16, 2014, subject to an early maturity date of 91 days prior to March 16, 2014 in the event HNS' 2009 and 2006 Senior Notes and HNS' Term Loan Facility (as defined below) are not (i) repaid in full or (ii) refinanced with new debt (or amended) with maturities of no earlier than 91 days after March 16, 2014. The terms of the Revolving Credit Facility were amended to be: (i) in respect of the interest rate, at our option, the Alternative Borrowing Rate (as defined in the Revolving Credit Facility) plus 2.00% or the Adjusted London Interbank Offered Rate ("LIBOR") (as defined in the Revolving Credit Facility) plus 3.00% and (ii) in respect of the participation fee for outstanding letters of credit, 3.00% per annum, in each case subject to downward adjustment based on our leverage ratio. For the years ended December 31, 2010 and 2009, there was no borrowing under the Revolving Credit Facility. As of December 31, 2010, the Revolving Credit Facility had total outstanding letters of credit of $4.4 million and an available borrowing capacity of $45.6 million.

On May 27, 2009, HNS, along with its subsidiary, HNS Finance Corp., as co-issuer, completed a private debt offering of $150.0 million of 9.50% senior notes maturing on April 15, 2014 (the "2009 Senior Notes"). The terms and covenants with respect to the 2009 Senior Notes are substantially identical to those of the 2006 Senior Notes. Interest on the 2009 Senior Notes is accrued from April 15, 2009 and is paid semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2009. After the original issue discount of $13.6 million and related offering expenses of approximately $4.5 million, HNS received net proceeds of approximately $133.6 million, including $1.7 million of prepaid interest received from the note holders, from the offering. The 2009 Senior Notes were offered and sold in the United States only to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended, (the "Securities Act") and in offshore transactions to non-United States persons in reliance on Regulation S of the Securities Act. In connection with the offering of the 2009 Senior Notes, HNS entered into a registration rights agreement requiring HNS to complete a registered exchange offer relating to the 2009 Senior Notes within 360 days after May 27, 2009. On August 17, 2009, HNS completed the registered exchange offer pursuant to the registration rights agreement. Accordingly, the 2009 Senior Notes have been registered under the Securities Act. As of December 31, 2010 and 2009, HNS recorded $3.0 million of accrued interest payable related to the 2009 Senior Notes.

In February 2007, HNS borrowed $115 million from a syndicate of banks (the "Term Loan Facility"), which matures on April 15, 2014. The interest on the Term Loan Facility is paid quarterly at Adjusted LIBOR (as defined in the Term Loan Facility) plus 2.50% per annum. To mitigate the variable interest rate risk associated with the Term Loan Facility, HNS entered into a swap agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum (the "Swap Agreement"). As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. As of December 31, 2010 and 2009, interest accrued based on the Swap Agreement and the Term Loan Facility was $0.7 million and $0.8 million, respectively.

In April 2006, HNS issued $450 million of 9.50% senior notes maturing on April 15, 2014 (the "2006 Senior Notes"). Interest on the 2006 Senior Notes is paid semi-annually in arrears on April 15 and October 15. As of December 31, 2010 and 2009, we recorded $8.9 million of accrued interest payable related to the 2006 Senior Notes.

Although the terms and covenants with respect to the 2009 Senior Notes are substantially identical to the 2006 Senior Notes, the 2009 Senior Notes were issued under a separate indenture and do not vote together with the 2006 Senior Notes. Each of the indentures governing the 2006 Senior Notes and the 2009 Senior Notes (collectively, the "Senior Notes"), the agreement governing the amended Revolving Credit Facility, the agreement governing the COFACE Guaranteed Facility and the agreement governing the Term Loan Facility require HNS to comply with certain affirmative and negative covenants: (i) in the case of the indentures, for so long as any Senior Notes are outstanding; (ii) in the case of the amended Revolving Credit Facility, so long as the amended Revolving Credit Facility is in effect; (iii) in the case of the COFACE Guaranteed Facility, for so long as the COFACE Guaranteed Facility remains outstanding; and (iv) in the case of the Term Loan Facility, for so long as the Term Loan Facility remains outstanding. Negative covenants contained in these agreements include limitations on the ability of HNS and/or certain of its subsidiaries to incur additional indebtedness; issue redeemable stock and subsidiary preferred stock; incur liens; pay dividends or distributions or redeem or repurchase capital stock; prepay, redeem or repurchase debt; make loans and investments; enter into agreements that restrict distributions from HNS' subsidiaries; sell assets and capital stock of our subsidiaries; enter into certain transactions with affiliates; consolidate or merge with or into, or sell substantially all of our assets to, another person; and enter into new lines of business. In addition to these negative covenants, the amended Revolving Credit Facility, the indentures governing the Senior Notes, the COFACE Guaranteed Facility and/or the agreement governing the Term Loan Facility contain affirmative covenants that require us to: (i) preserve our businesses and properties; (ii) maintain insurance over our assets; (iii) pay and discharge all material taxes when due; and (iv) furnish the lenders' administrative agent our financial statements for each fiscal quarter and fiscal year, certificates from a financial officer certifying that no Event of Default or Default has occurred during the fiscal period being reported, litigation and other notices, compliance with laws, maintenance of records and other such customary covenants. HNS and its subsidiaries comprise a

substantial portion of the Company's net assets and results of operations since January 1, 2006. Because of the negative covenants above, there are certain restrictions on the sale of HNS' assets. As of December 31, 2010 and 2009, HNS' net assets were $221.9 million and $200.0 million, respectively. Management believes that HNS was in compliance with all of its debt covenants as of December 31, 2010.

Prior to September 2005, we leased certain VSAT hardware under an operating lease with customers which were funded by two financial institutions at the inception of the operating lease for the future operating lease revenues. As part of the agreement, the financial institution received title to the equipment and obtained the residual rights to the equipment after the operating lease with the customer expires and assumed the credit risk associated with non-payment by the customers. However, we retained a continuing obligation to the financing institution to indemnify it from losses it may incur (up to the original value of the hardware) from non-performance of our system (a "Non-Performance Event"). Accordingly, we recognized a liability to the financial institution for the funded amount. We have not provided a reserve for a Non-Performance Event because we believe that the possibility of an occurrence of a Non-Performance Event due to a service outage is remote, given the ability to quickly re-establish customer service at relatively nominal costs.

In July 2006, we entered into a capital lease with 95 West Co., Inc. ("95 West Co.") and its parent, Miraxis License Holdings, LLC ("MLH"), which are our related parties as discussed in Note 20—Transactions with Related Parties. Pursuant to the capital lease agreement, 95 West Co. and MLH agreed to provide a series of coordination agreements allowing HNS to operate SPACEWAY 3 at the 95° west longitude orbital slot where 95 West Co. and MLH have higher priority rights. As of December 31, 2010, the remaining debt balance under the capital lease was $4.9 million, which was included in "Capital lease and other" in the short-term and long-term debt tables above. The remaining payments under the capital lease are subject to conditions in the agreement including our ability to operate SPACEWAY 3 and are $1.0 million for each of the years ending December 31, 2011 through 2016.

Principal payments of our debt at December 31, 2010 are as follows (in thousands):

		Amount
Year ending December 31,		
2011	$	6,285
2012		4,803
2013		4,817
2014		709,634
2015		4,260
Thereafter		17,062
Total debt	$	746,861

Note 13: Financial Instruments

Interest Rate Swap

The interest on the Term Loan Facility was at Adjusted LIBOR plus 2.50% per annum. To mitigate the variable interest rate risk associated with the Term Loan Facility, we entered into the Swap Agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum. As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. We account for the Swap Agreement as a cash flow hedge in accordance with ASC 815-30 "Derivatives and Hedging—Cash Flow Hedges." Accordingly, in connection with the fair market valuation of the interest rate swap, we recorded a net unrealized loss of $2.4 million, a net unrealized gain of $6.9 million and a net unrealized loss of $11.9 million for the years ended December 31, 2010, 2009 and 2008, respectively, in AOCL. The remaining net interest payments based on the Swap Agreement and the Term Loan Facility are paid quarterly and estimated to be approximately $8.8 million for each of the years ending December 31, 2011 through 2013 and $3.3 million for the year ending December 31, 2014. We recorded interest expense of $8.9 million, $9.0 million and $8.9 million for the years ended December 31, 2010, 2009 and 2008, respectively, on the Term Loan Facility.

Note 14: Fair Value

Under ASC 820 "Fair Value Measurements and Disclosures," fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date, and the principal market is defined as the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability. If there is no principal market, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received for the asset or minimizes the amount that would be paid to transfer the liability. ASC 820 clarifies that fair value should be based on assumptions market participants would make in pricing the asset or liability. Where available, fair value is based on observable quoted market prices or derived from observable market data. Where observable prices or inputs are not available, valuation models are used (i.e. Black-Scholes, a barrier option model or a binomial model). ASC 820 established the following three levels used to classify the inputs used in measuring fair value measurements:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs, other than quoted prices, that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on the assumptions market participants would use in pricing the asset or liability based on the best available information.

In determining fair value, we use various valuation approaches, including market, income and/or cost approaches. Other valuation techniques involve significant management judgment. As of December 31, 2010, the carrying values of cash and cash equivalents, receivables, net, accounts payable, and short-term debt approximated their respective fair values because of their short-term maturities.

Our investment in the HTI Shares was measured using Level 1 and Level 2 inputs for the Non-escrowed shares and Escrowed shares, respectively. The fair value of the Non-escrowed shares, as shown in the table below, was determined based on the quoted market prices. For the year ended December 31, 2010, we recognized unrealized losses of $0.5 million in AOCL related to the Non-escrowed shares. The fair value of the Escrowed shares, as shown in the table below, was determined using market observable data and utilizing a barrier option pricing model. The valuation of the Escrowed shares reflects the Company's best estimate of what market participants would use in pricing the investment based on the best available information. For the year ended December 31, 2010, the estimated fair value of the Escrowed shares declined by $0.6 million from its carrying value of $1.1 million at December 31, 2009 to $0.5 million as of December 31, 2010. Based on our valuation analysis in accordance with ASC 320-10-35 "Investments—Debt and Equity Securities—Subsequent Measurement," we determined that the decline in the estimated fair value of the Escrowed shares during 2010 is not an "other than temporary" impairment.

Our Senior Notes were categorized as Level 1 of the fair value hierarchy as we utilized pricing for recent market transactions for identical notes.

Our Term Loan Facility originally had a variable interest rate based on observable interest rates plus 2.50% per annum. To mitigate the variable interest rate risk, we entered into the Swap Agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum. As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. We adjust the value of the interest rate swap on a quarterly basis. The fair value of the interest rate swap was categorized as Level 2 of the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis are summarized below (dollars in thousands):

			December 31, 2010	
	Level	Included In	Carrying Value	Fair Value
Marketable securities	2	Marketable securities	$ 39,532	$ 39,532
Marketable security	1	Marketable securities	$ 5,000	$ 5,000
HTI Non-escrowed Shares	1	Other assets	$ 3,770	$ 3,770
HTI Escrowed Shares	2	Other assets	$ 1,121	$ 499
2006 Senior Notes	1	Long-term debt	$ 450,000	$ 464,625
2009 Senior Notes	1	Long-term debt	$ 140,173(1)	$ 153,750
Term Loan Facility	2	Long-term debt	$ 115,000	$ 110,688
COFACE Guaranteed Facility	2	Long-term debt	$ 27,403	$ 29,018
Orbital slot commitment	2	Short-term/Long-term debt	$ 4,917	$ 5,487
VSAT hardware financing	2	Short-term/Long-term debt	$ 6,323	$ 6,323
Interest rate swap on the Term Loan Facility	2	Other long-term liabilities	$ 12,901	$ 12,901

(1) Amount represents the face value of $150.0 million, net of the remaining original issue discount of $9.8 million.

Note 15: Income Taxes

The income (loss) before income tax expense and equity in earnings (losses) of unconsolidated affiliates and the corresponding income tax expense (benefit) reflected on the consolidated statements of operations for the years ended December 31, 2010, 2009 and 2008 consisted of the following (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Income (loss) before income tax expense and equity in earnings (losses) of unconsolidated affiliates:			
Domestic income (loss)	$ 19,984	$ (60,612)	$ 9,093

	2010	2009	2008
Foreign income	8,712	11,241	8,427
Total	$ 28,696	$ (49,371)	$ 17,520
Components of income tax expense:			
Current income tax expense:			
Foreign	$ 5,950	$ 2,750	$ 2,373
State	756	650	803
Total current income tax expense	6,706	3,400	3,176
Deferred income tax expense (benefit):			
Foreign	(990)	(954)	4,417
Federal	—	—	—
Total deferred income tax expense (benefit)	(990)	(954)	4,417
Total income tax expense	$ 5,716	$ 2,446	$ 7,593

We entered into a tax sharing agreement with LightSquared (the "Tax Sharing Agreement") at the time of the separation of the Company from LightSquared during 2006, pursuant to which we are responsible for all LightSquared tax liabilities through February 21, 2006. As a result, we paid LightSquared $1.1 million for its 2006 alternative minimum tax ("AMT") liability. In accordance with the Tax Sharing Agreement, we are entitled to reimbursement of the $1.1 million from LightSquared at such time LightSquared realizes the benefit of the AMT credit. Recent tax legislation contains provisions enabling the acceleration of AMT credit refund, which LightSquared collected from the Internal Revenue Service and forwarded to the Company in December 2010.

Our consolidated temporary differences that give rise to the net deferred tax assets at December 31, 2010 and 2009 are as follows (in thousands):

	December 31, 2010	2009
Deferred tax assets:		
Net operating loss carryforwards	$ 149,246	$ 141,041
Capital loss carryforwards	3,649	4,797
Alternative minimum tax credit	475	475
Research and development credit	6,952	5,568
Other assets	13,490	12,201
Total gross deferred tax assets	173,812	164,082
Deferred tax liabilities:		
Investment in Hughes Network Systems, LLC	80,599	75,490
Compensation expense on restricted stock	490	554
Total gross deferred tax liability	81,089	76,044
Net deferred tax assets before valuation allowance	92,723	88,038
Valuation allowance	(87,075)	(83,540)
Net deferred tax assets	$ 5,648	$ 4,498

As we have not met the more-likely-than-not criteria of ASC 740 on deferred tax assets in certain jurisdictions and therefore have maintained a full valuation allowance on these deferred tax assets as of December 31, 2010. Certain deferred tax assets, namely $5.1 million associated with our foreign subsidiaries and $0.5 million associated with our AMT credit, require no valuation allowance.

As of December 31, 2010, our Federal and State net operating losses ("NOL") carryforwards are approximately $334.6 million expiring between the years 2012 and 2029, if unused, and our capital loss carryforwards were approximately $10.4 million expiring between 2011 and 2014, if unused.

Our German and United Kingdom ("U.K.") subsidiaries have approximately $35.2 million and $50.8 million of NOL carryforwards, respectively. As the U.K. subsidiary is treated as a disregarded entity for U.S. income tax purposes, its net income or loss is reported on HNS' partnership income tax return and subsequently allocated to us. The NOL carryforwards are available to reduce future U.K. taxable income and do not expire. The NOL carryforwards of the German subsidiary are available to reduce future German taxable income and do not expire.

As the German and U.K. subsidiaries have not met the more-likely—than-not criteria of ASC 740, we maintained a full valuation allowance on the German and U.K. deferred tax assets as of December 31, 2010. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. We considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning in making these assessments.

For the years ended December 31, 2010, 2009 and 2008, income tax expense differs from the amounts computed by applying the statutory rates to our income from continuing operations before income taxes as follows (in thousands):

	Year Ended December 31, 2010	2009	2008
Income (loss) before income tax expense and equity in earnings (losses) of unconsolidated affiliates:	$ 28,696	$ (49,371)	$ 17,520
Federal income tax @ 35%	$ 10,043	$ (17,280)	$ 6,132
Net permanent differences	(1,385)	274	512
Change in valuation allowance	(5,804)	20,677	896
State taxes, net of federal benefit	756	648	803
Foreign taxes in excess of federal tax (benefit)	2,106	(1,873)	(750)
Total income tax expense	$ 5,716	$ 2,446	$ 7,593

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

We have not provided for U.S. deferred income taxes or foreign withholding taxes on $33.1 million of our undistributed earnings for certain non-U.S. subsidiaries earnings because these earnings are intended to be permanently reinvested in operations outside the United States.

Under ASC740, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. ASC 740 requires increased disclosures and also provides guidance on de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

A tabular reconciliation of a change in unrecognized tax benefits for the years ended December 31, 2010 and 2009 is as follows (in thousands):

	December 31, 2010	2009	2008
Beginning balance of unrecognized tax benefits	$ 11,142	$ 10,222	$ 8,708
Gross increases—tax positions in prior periods	44	230	989
Gross decreases—tax positions in prior periods	(7,794)	—	—
Gross increases—tax positions in current period	741	690	525
Ending balance of unrecognized tax benefits	$ 4,133	$ 11,142	$ 10,222

In accordance with ASC 740, we have identified unrecognized tax benefits related to tax positions of $11.1 million as of December 31, 2009, an additional $0.8 million, and a reduction of $7.8 million of unrecognized tax benefits in 2010. If recognized, the total unrecognized tax benefits would impact our effective tax rate. We anticipate that uncertain tax positions will increase within the next twelve months in a range of $0.5 million to $1.0 million.

We recognize interest accrued related to unrecognized tax benefits in operating expenses and penalties in income tax expense in the consolidated statements of operations. As of December 31, 2010, we have not recorded any liability for the payment of interest or penalties associated with uncertain tax positions. Following is a description of the tax years that remain subject to examination by major tax jurisdictions:

United States - Federal	1997 and forward
United States - Various States	1997 and forward
United Kingdom	2005 and forward
Germany	2004 and forward
Italy	2006 and forward
India	1995 and forward
Mexico	2000 and forward
Brazil	2004 and forward

During 2009, the Internal Revenue Service (“IRS”) conducted an audit of the Company’s 2007 U.S. Income Tax Return. The Company received a final determination letter with no adjustments proposed by the IRS.

Note 16: Employee Share-Based Payments

2006 Equity and Incentive Plan

In January 2006, we adopted and our Board of Directors approved the 2006 Equity and Incentive Plan (the “Plan”). The Plan provides for the grant of equity-based awards, including restricted common stock, restricted stock units, stock options, stock appreciation rights and other equity-based awards, as well as cash bonuses and long-term cash awards to directors, officers, other employees, advisors and consultants of the Company and its subsidiaries who are selected by our Compensation Committee for participation in the Plan. Unless earlier terminated by our Board of Directors, the Plan will expire on the tenth anniversary of the date of its adoption. Termination of the Plan is not intended to adversely affect any award that is then outstanding without the award holder’s consent. Our Board of Directors may amend the Plan at any time. Plan amendments are not intended to adversely affect any

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

award that is then outstanding without the award holder’s consent, and the Company must obtain stockholder approval of a plan amendment if stockholder approval is required to comply with any applicable law, regulation or stock exchange rule.

The Plan provides for the issuance of up to 2,700,000 shares of our common stock which may be issued in the form of restricted stock, stock options or stock appreciation rights; provided that the maximum number of shares that may be issued pursuant to the exercise of incentive stock options may not exceed 1,350,000 shares. In accordance with the terms of the Plan, in August 2006, the Board of Director delegated to the CEO the authority to award, at the CEO’s discretion, up to 250,000 shares in the aggregate of restricted stock to employees (other than Section 16 reporting persons) up to a maximum award of 4,000 shares per employee. The CEO has issued restricted stock awards and restricted stock units to employees, for which 50% of the shares vest on the second anniversary of the issuance date, and an additional 25% of the shares vest on each of the third and fourth anniversaries of the issuance date. The fair value of the shares is calculated based on the market price on the grant date.

We also issue shares under the Plan to directors, officers and key employees and contractors of the Company and its wholly-owned subsidiaries. These awards are issued at their fair market value on the date of grant. In February 2009, we issued an aggregate of 90,000 shares of restricted stock, which vest over a three year period, to members of our Board of Directors.

The Company and HNS account for shares issued in accordance with the provisions of ASC 718, “Compensation—Stock Compensation.” The Company records compensation expense for restricted stock awards and restricted stock units on a straight-line basis over their vesting period. For the years ended December 31, 2010, 2009 and 2008, we recorded compensation expense related to the issuance of restricted stock awards and restricted stock units, after adjustment for forfeitures, of $2.4 million, $2.9 million and $3.2 million, respectively. As of December 31, 2010, we had $1.5 million of unrecognized compensation expense related to the restricted stock awards and restricted stock units, which will be recognized over a weighted average life of 1.89 years. We recognized a tax benefit of $3.8 million, $1.2 million and $2.6 million related to restricted stock awards, restricted stock units and stock options for the years ended December 31, 2010, 2009 and 2008, respectively.

Summaries of non-vested restricted stock awards and restricted stock units are as follows:

Restricted Stock Awards

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2009	162,360	$ 27.37
Forfeited	(2,950)	$ 46.89
Vested	(81,084)	$ 33.60
Non-vested at December 31, 2010	78,326	$ 20.19

The weighted-average grant date fair value of restricted stock awards granted for the years ended December 31, 2009 and 2008 were $11.13 and $47.95, respectively. No restricted stock awards were granted for the year ended December 31, 2010. The total fair value of shares vested during the years ended December 31, 2010, 2009 and 2008 were $2.7 million, $3.6 million and $6.9 million, respectively.

Restricted Stock Units

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2009	8,675	$ 28.73
Granted	18,000	$ 28.99
Vested	(3,175)	$ 45.35
Non-vested at December 31, 2010	23,500	$ 26.68

The weighted-average grant date fair value of restricted stock units granted for the years ended December 31, 2010, 2009 and 2008 were $28.99, $8.82 and $43.27, respectively. The total fair value of units vested during the years ended December 31, 2010, 2009 and 2008 were $0.1 million, $0.1 million and $0.2 million, respectively.

Stock Option Program

On April 24, 2008, our Compensation Committee made stock options awards under the Plan (the “Stock Option Program”), which consisted of the issuance of non-qualified stock options to employees of the Company and its subsidiaries. A total of 1,250,000 options (the “Option Pool”) have been authorized under the Stock Option Program for option awards during the period of April 24, 2008 to December 31, 2011. The grant and exercise price of the stock options is the closing price of the Company’s common stock on the date of the grant. Any options forfeited or cancelled before exercise will be deposited back into the Option Pool and will become available for award under the Stock Option Program. In accordance with the terms of the Stock Option Program, the Compensation Committee delegated to our Chief Executive Officer (“CEO”) and President the authority to award options, at his discretion, to the current and future employees of the Company and its subsidiaries. Each grant has a 10 year life and vests 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date. The fair value of each option award was estimated on the date of grant using a Black-Scholes option valuation model based on the assumptions noted in the table below.

Since we became a public registrant in February 2006, we did not have sufficient history to measure expected volatility using our own stock price history nor have the history to compute the expected term of the stock options at the time of issuing stock options to employees. As a result, we utilized an average volatility based on a group of companies identified as our peers. We estimated the expected term of the stock options, which is closely aligned with the identified peer group, based upon the current anticipated corporate growth, the currently identified market value of the stock price at issuance and the vesting schedule of the stock options. The risk-free interest rate is based on the published U.S. Treasury Yield Curve as of the grant date for the period of 5 years which most closely correlates to the expected term of the option award. Dividend yield is zero as we have not, nor do we currently plan to, issue dividends to our shareholders.

On March 19, 2009, we offered eligible participants in the Stock Option Program the opportunity to exchange (the “Exchange Offer”) all or a portion of their eligible outstanding stock options for new stock options, on a one-for-one basis, through an exchange offer, which expired on April 16, 2009. Each new option (the “New Option”) has an exercise price of $14.47, which was the closing price of our common stock on April 15, 2009, and a new vesting schedule to reflect the new grant date of April 16, 2009.

As a result of the Exchange Offer, which was completed on April 16, 2009, 546,900 outstanding stock options (representing 100% participation) were exchanged, and the estimated fair value of the New Options of $2.3 million was computed using a Black-Scholes option valuation model based on the new grant date. The compensation expense related to the New Options is recognized on a straight-line basis over the four-year vesting period beginning on the date of grant.

The key assumptions for the option awards for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Year Ended December 31, 2010	2009	2008
Volatility range	45.33% — 45.90%	45.97% — 47.92%	47.60% — 55.0%
Weighted-average volatility	45.40%	47.62%	47.67%
Expected term	5 years	5 years	5 years
Risk-free interest rate range	1.18% — 2.59%	1.71% — 2.20%	3.15% — 1.50%
Weighted-average risk-free interest rate	1.20%	1.79%	3.14%

A summary of option activity under the Stock Option Program is presented below:

	Option Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value(1)
Outstanding at January 1, 2008	—	$ —		
Granted	562,400	$ 53.67		
Forfeited or expired	(10,000)	$ 54.00		
Outstanding at December 31, 2008	552,400	$ 53.67	9.32	$ —
Retired	(546,900)	$ 54.00		
Granted	647,400	$ 16.77		
Forfeited or expired	(4,850)	$ 20.84		
Outstanding at December 31, 2009	648,050	$ 16.77	9.37	$ 6,326
Granted	572,500	$ 28.99		
Forfeited or expired	(22,350)	$ 19.56		
Exercised	(1,250)	$ 17.03		
Outstanding at December 31, 2010	1,196,950	$ 22.56	9.04	$ 21,412
Vested and expected to vest at December 31, 2010	1,077,255	$ 22.56	9.04	$ 19,271
Exercisable at December 31, 2010	1,250	$ 17.03	7.96	$ 29

(1) In thousands.

The weighted-average grant date fair value of options granted during the years 2010, 2009 and 2008 were $28.99, $16.77 and $53.67, respectively. The total intrinsic value of options exercised for the year ended December 31, 2010 was minimal. The compensation expense related to stock option awards is recognized on a straight-line basis over the four-year vesting period beginning on the date of grant. We recorded $4.3 million, $3.5 million and $2.0 million compensation expense for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, we had $12.6 million of unrecognized compensation expense for non-vested stock options, which is expected to be recognized over a weighted average period of 3.08 years. As of December 31, 2010, there were 1,250 stock options outstanding and exercisable, which have an exercise price of $17.03.

HNS' Bonus Unit Plan

In July 2005, HNS adopted an incentive bonus unit plan (the "Bonus Unit Plan") pursuant to which 4.4 million bonus units representing approximately 4% of the increase in the value of HNS, as defined in the Bonus Unit Plan, were granted to certain of its employees. The bonus units provide for time vesting over five years and are subject to a participant's continued employment with HNS. Pursuant to the Bonus Unit Plan, if participants are employed by HNS on the predetermined exchange dates, they are entitled to exchange their vested bonus units for shares of our common stock.

The first exchange occurred on July 15, 2008, when approximately 1.9 million bonus units were exchanged for 192,399 shares of our common stock. The number of our common stock shares to be issued upon each exchange is calculated based upon the fair market value of the vested bonus unit divided by the closing trading price of our common stock for the 20 business days immediately preceding the date of the exchange. The fair value of the bonus units on the grant date was approximately $1.2 million, after adjustment for a 13% estimated forfeiture rate, based on the estimated increase in the fair market value of HNS' net equity at the time of the grant.

On September 19, 2008, HNS issued 310,000 bonus units to certain of its employees pursuant to the terms of the Bonus Unit Plan. The fair value of the new issuance of bonus units was determined using a forward pricing model. The total estimated compensation expense for the new issuance of bonus units is $1.7 million, after adjustment for a 10% estimated forfeiture rate. Pursuant to ASC 718, we amortize the compensation expense of the Bonus Unit Plan over the vesting period beginning on the date of grant. For the years ended December 31, 2010, 2009 and 2008, we recognized compensation expense of $0.8 million, $0.8 million and $0.4 million, respectively. On July 15, 2010, the 2.1 million vested bonus units vested were exchanged for approximately 207,000 shares (net of income tax withholding) of our common stock pursuant to the Bonus Unit Plan. The remaining 300,000 bonus units will vest on July 15, 2011.

The following table summarizes changes in bonus units under the Bonus Unit Plan:

	Year Ended December 31, 2010	2009
Non-vested beginning balance	2,453,250	2,500,000
Converted to HCI common shares	(2,139,500)	—
Forfeited	(13,750)	(46,750)
Non-vested ending balance	300,000	2,453,250

HNS Class B Membership Interests

HNS' Class B membership interests were issued to certain members of our senior management, two of HNS' former senior management and a member of our Board of Directors. The Class B membership interests are subject to certain vesting requirements, with 50% of the Class B membership interests subject to time vesting over five years and the other 50% vesting based upon certain performance criteria. At the holders' election, vested Class B membership interests may be exchanged for our common stock. The number of shares of our common stock to be issued upon such exchange is based upon the fair market value of such vested Class B membership interest tendered for exchange divided by the average closing trading price of our common stock for the 20 business days immediately preceding the date of such exchange. As of December 31, 2010, 3,272 of the 3,280 outstanding Class B membership interests were vested. If the total outstanding Class B membership interests were to convert into our common stock as of December 31, 2010, they could be exchanged for approximately 646,000 shares of our common stock. On September 25, 2009, we registered 75,000 shares of our common stock with the SEC on Form S-8 to be issued, from time to time, upon the exchange of the Class B membership interests.

Pursuant to ASC 718 "Compensation—Stock Compensation," HNS determined that the Class B membership interests had nominal value at the date of grant, and, accordingly, $0.1 million compensation expense was recorded for each of the years ended December 31, 2010, 2009 and 2008. A summary of changes in Class B membership interests is as follows:

	Year Ended December 31, 2010	2009
Outstanding beginning balance	3,330	3,656
Converted to HCI common shares	(50)	(326)
Outstanding ending balance	3,280	3,330

LightSquared's 1998 Long Term Incentive Plan

Pursuant to LightSquared's 1998 Long Term Incentive Plan (the "LightSquared Plan"), the compensation committee of the Board of Directors of LightSquared was required to make an equitable adjustment to the terms of options issued under the LightSquared Plan in the event a special, large and nonrecurring dividend or distribution affects LightSquared's common stock such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of the participants under the LightSquared Plan. LightSquared's compensation committee has discretion to make such an adjustment to any option issued under the LightSquared Plan by adjusting the number and kind of shares that may be issued in respect of outstanding options or the exercise price relating to such options. Pursuant to this provision, LightSquared's compensation committee determined that holders of stock options issued under the LightSquared Plan who were members of LightSquared's management and Board of Directors as of the date of the distribution, when LightSquared separated us into a publicly traded company in 2006 (the "Distribution"), as well as a consultant and former directors who were involved with LightSquared's acquisition of HNS, would receive an option to purchase one share of our common stock for each option to purchase two shares of LightSquared common stock that they held as of the date of the Distribution. The issuance of such options to purchase our common stock was in lieu of a larger adjustment to the exercise price of the LightSquared options that such holders would otherwise have been entitled to, had they not received options to purchase our common stock. A reduction in the exercise price (or in some cases, an increase in the number of shares) was the manner in which all other LightSquared options outstanding under the plan were adjusted. In February 2006, the Company issued options to purchase 435,836 shares of our common stock to holders of LightSquared options under the Plan.

The exercise price of such options to purchase shares of our common stock that were issued to certain holders of options to purchase LightSquared common stock was determined by multiplying the exercise price of such LightSquared option by a fraction, the numerator of which was the closing price of a share of our common stock on the first trading day after the Distribution date multiplied by the exchange ratio of 0.5 and the denominator of which was that price multiplied by the exchange ratio plus the closing price of a share of LightSquared common stock on the first trading day after the Distribution date and further dividing such result by the exchange ratio.

The fair value of each share or option, as applicable, was determined on the date of grant, except for shares of restricted stock issued to a consultant. In accordance with ASC 505-50, "Equity-Based Payments to Non-Employees", the fair value of such shares is adjusted at the end of the reporting period, and accordingly, the fair value as of December 31, 2010 was used for determining compensation expense attributable to such shares.

The following table summarizes stock option activity and related information for the LightSquared Plan for the years ended December 31, 2010, 2009 and 2008:

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value*
Options outstanding & exercisable at January 1, 2008	65,834	$ 19.80	$ 2,292
Exercised by holders of LightSquared options	(3,334)	$ 22.53	$ —
Options outstanding & exercisable at December 31, 2008	62,500	$ 19.65	$ —
Options outstanding & exercisable at December 31, 2009	62,500	$ 19.65	$ 399

Exercised by holders of LightSquared options	(5,000)	$	22.53	$	—
Options outstanding & exercisable at December 31, 2010	57,500	$	19.40	$	1,210

* In thousands.

The following table summarizes information about stock options that are outstanding and exercisable as of December 31, 2010:

	Stock Options Outstanding and Exercisable			
Range of Exercise Prices	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
$1.48	5,000	$	1.48	3.13
$20.23 - $22.53	52,500	$	21.11	4.30
	57,500	$	19.40	4.20

Note 17: Other Benefits

401(k) Plan

We have a 401(k) salary deferral program for eligible employees in the United States who have met certain service requirements. Eligible employees may contribute up to 25% (16% for highly compensated employees) of their eligible compensation into the plan on a pre-tax basis each payroll period, subject to a limit of $16,500 in 2010 per the IRS. Employee contributions are immediately vested. We will match 100% of employee contributions up to 3% of eligible compensation and 50% of employee contributions on up to an additional 6% of eligible compensation. Matching contributions are 100% vested after eligible employees have completed three years of service. During 2010, 2009 and 2008, we made $6.7 million, $6.9 million and $6.9 million, respectively, of matching contributions.

In addition, as allowed by the IRS, participants who are age 50 or older may make additional contributions (“catch-up contributions”), up to $5,500 in 2010, into the plan. The Company does not match the catch-up contributions. The plan also permits participants to make contributions on an after-tax basis.

Long-Term Cash Incentive Retention Program

In 2005, HNS established a one-time employee retention program (“Retention Program”), which was designed to retain certain employees chosen by HNS’ senior management. As a result of HNS successfully attaining 100% of its earnings goal for 2008, as defined in the Retention Program, HNS paid an aggregate of $14.7 million to eligible participants under the Retention Program in 2009, of which $13.2 million was accrued as of December 31, 2008. The Company has no further obligation associated with the Retention Program.

Note 18: Stockholders’ Equity

The Company is a publicly-traded company and is authorized to issue 64,000,000 shares of common stock, par value $0.001 per share. The Company is also authorized to issue 1,000,000 shares of preferred stock, par value $0.001 per share. The preferred stock can be issued in one or more classes or series, and the Board of Directors have the authority to establish voting rights, preferences, and other rights related to dividends, convertibility, redemptions and other limitations as may be permitted by the General Corporation Law of the State of Delaware. As of December 31, 2010, no class or series of preferred stock had been established by the Company’s Board of Directors.

Note 19: Segment Data and Geographic Data

Set forth below is selected financial information for our operating segments (in thousands). There were no intersegment transactions in 2010, 2009 and 2008.

		North America Broadband		International Broadband		Telecom Systems		HTS Satellite		Corporate and Other		Consolidated
As of or For the Year Ended December 31, 2010												
Revenues	$	733,750	$	205,607	$	95,069	$	3,317	$	5,584	$	1,043,327
Operating income (loss)	$	67,884	$	10,571	$	14,183	$	(3,350)	$	(3,664)	$	85,624
Depreciation and amortization	$	111,743	$	15,029	$	4,182	$	—	$	632	$	131,586
Assets	$	633,775	$	185,316	$	44,252	$	249,952	$	249,880	$	1,363,175
Capital expenditures(1)	$	95,628	$	10,295	$	343	$	180,741	$	8,885	$	295,892
As of or For the Year Ended December 31, 2009												
Revenues	$	690,279	$	203,886	$	112,500	$	—	$	3,034	$	1,009,699
Operating income (loss)(2)	$	(7,991)	$	15,120	$	14,227	$	(37)	$	(9,007)	$	12,312
Depreciation and amortization	$	84,706	$	13,355	$	4,078	$	—	$	592	$	102,731
Assets	$	632,803	$	184,461	$	45,500	$	66,596	$	373,034	$	1,302,394
Capital expenditures(1)	$	95,556	$	15,124	$	1,213	$	44,065	$	7,578	$	163,536
As of or For the Year Ended December 31, 2008												
Revenues	$	667,665	$	237,188	$	155,038	$	—	$	462	$	1,060,353

Operating income (loss)	$ 21,339	$ 21,679	$ 25,116	$ —	$ (3,842)	$ 64,292
Depreciation and amortization	$ 55,868	$ 9,233	$ 3,836	$ —	$ —	$ 68,937
Assets	$ 648,603	$ 197,087	$ 64,727	$ —	$ 279,976	$ 1,190,393
Capital expenditures(1)	$ 71,696	$ 11,188	$ 2,223	$ —	$ 11,126	$ 96,233

(1) Capital expenditures on an accrual basis were: $295.9 million, $190.5 million and $96.2 million for the years ended December 31, 2010, 2009 and 2008, respectively.
(2) Operating loss for North America Broadband includes $44.4 million of impairment loss related to our prepaid deposit to Sea Launch, which was impaired in 2009.

For the years ended December 31, 2010, 2009 and 2008, no single customer accounted for more than 10% of total revenues. Revenues by geographic area are summarized by customers' locations as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
North America	$ 829,948	$ 801,808	$ 803,496
Africa, Asia and the Middle East	89,679	88,939	106,627
Europe	62,607	69,430	115,495
South America and the Caribbean	61,093	49,522	34,735
Total revenues	$ 1,043,327	$ 1,009,699	$ 1,060,353

Individual countries with significant revenues for the three years ended December 31, 2010 are as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
United States	$ 800,327	$ 774,719	$ 785,349
Brazil	$ 56,791	$ 42,167	$ 30,038
India	$ 47,237	$ 39,294	$ 48,067
United Kingdom	$ 21,457	$ 29,257	$ 66,555

Total property, net by geographic area is summarized customers' locations as follows (in thousands):

	December 31,	
	2010	2009
North America:		
United States	$ 744,758	$ 573,755
Mexico	5	55
Total North America	744,763	573,810
South America and the Caribbean	13,377	12,702
Africa, Asia and the Middle East	11,284	10,768
Europe	4,628	5,123
Total property, net	$ 774,052	$ 602,403

Note 20: Transactions with Related Parties

In the ordinary course of our operations, we enter into transactions with related parties to purchase and/or sell telecommunications services, equipment, and inventory. Related parties include all entities that are related to Apollo Management, L.P. and its affiliates (collectively "Apollo"), our controlling stockholder.

Separation Agreement

As part of the Distribution in 2006, LightSquared and the Company entered into a separation agreement ("Separation Agreement"). Among other things, the Separation Agreement provides for certain indemnifications, tax sharing, consulting services and access to facilities.

Indemnification—The Separation Agreement provides that the Company will indemnify LightSquared against losses based on, arising out of, or resulting from (i) the ownership or the operation of the assets or properties transferred to the Company under the Separation Agreement, and the operation or conduct of the business of, including contracts entered into and any activities engaged in by, the Company, whether in the past or future; (ii) any other activities the Company engages in; (iii) any guaranty or keep well of or

by LightSquared provided to any parties with respect to any of the Company's actual or contingent obligations; and (iv) certain other matters described in the Separation Agreement. The Separation Agreement provides that LightSquared will indemnify the Company against losses based on, arising out of, or resulting from the ownership or operation of the assets or properties of Mobile Satellite Ventures LP ("MSV") and TerreStar Networks, Inc., ("TerreStar") or the operation or conduct of their businesses, including the contracts entered into by them, and certain other matters described in the Separation Agreement.

Tax sharing agreement—The tax sharing agreement governs the allocation between the Company and LightSquared of tax liabilities and related tax matters, such as the preparation and filing of tax returns and tax contests, for all taxable periods ended on or before February 21, 2006. The Company will generally be responsible for, and indemnify LightSquared and its subsidiaries against, all tax liabilities imposed on or attributable to (i) the Company and any of its subsidiaries relating to all taxable periods and (ii) LightSquared and any of its subsidiaries for all taxable periods or portions thereof ending on or prior to a change of control of LightSquared, in each case, after taking into account any tax attributes of LightSquared or any of its subsidiaries that are available to offset such tax liabilities. Notwithstanding the foregoing, the Company is not responsible for any taxes relating to MSV, TerreStar or a change of control of LightSquared. Additionally, under the tax sharing agreement, LightSquared is responsible for, and indemnifies the Company and its subsidiaries against, all tax liabilities imposed on or attributable to MSV and TerreStar relating to all taxable periods, LightSquared and any of its subsidiaries relating to all taxable periods or portions thereof beginning and ending after a change of control, and any change of control of LightSquared.

Hughes Telematics, Inc.

In July 2006, HNS granted a limited license to HTI allowing HTI to use the HUGHES trademark. The license is limited in that HTI may use the HUGHES trademark only in connection with its business of automotive telematics and only in combination with the TELEMATICS name. As partial consideration for the license, the agreement provides that HNS will be HTI's preferred engineering services provider. The license is royalty-free, except that HTI has agreed to pay a royalty to HNS in the event HTI no longer has a commercial or affiliated relationship with HNS.

In October 2007, HNS entered into an agreement with HTI and a customer of HTI, whereby HNS agreed to assume the rights and performance obligations of HTI in the event that HTI fails to perform its obligations due to a fundamental cause such as bankruptcy or the cessation of its telematics business. In connection with that agreement, HNS and HTI have entered into a letter agreement pursuant to which HTI has agreed to take certain actions to enable HNS to assume HTI's obligations in the event that such action is required. However, as a result of the Merger, as defined and described in Note 10—Other Assets, HNS' obligations to HTI and its customer expired when HTI became a public company in March 2009 with an initial market capitalization value greater than $300.0 million. In January 2008, HNS entered into an agreement with HTI for the development of an automotive telematics system for HTI, comprising the telematics system hub and the Telematics Control Unit ("TCU"), which will serve as the user appliance in the telematics system.

In March 2009, we made an equity investment in HTI, which represented approximately 3.8% of HTI's outstanding common stock. See Note 10—Other Assets for further discussion. In August 2009, HTI terminated substantially all of the development, engineering and manufacturing services with HNS as a result of the bankruptcy filing of one of HTI's customers.

On December 18, 2009, HNS entered into a promissory note with HTI ("Promissory Note") for $8.3 million of account receivables that HTI owed to HNS. The Promissory Note had a maturity date of December 31, 2010 and an interest rate of 12% per annum. On November 5, 2010, the Company revised the term of the Promissory Note to extend the maturity date to December 31, 2011. As of December 31, 2010, the remaining Promissory Note, including accrued interest, had a balance of $5.6 million. HNS expects to fully recover $5.6 million.

HTI is controlled by an affiliate of Apollo. Jeffrey A. Leddy, a member of HNS' Board of Managers and our Board of Directors, is the CEO and a director of HTI and owns less than 1.5% of HTI's equity as of December 31, 2010. In addition, Andrew Africk and Aaron Stone, members of HNS' Board of Managers and our Board of Directors, are directors of HTI and partners of Apollo.

Hughes Systique Corporation

HNS has contracted with Hughes Systique, an entity consolidated with the Company, for software development services. In addition to our 45.23% ownership in Hughes Systique, our CEO and President and his brother, who is the CEO and President of Hughes Systique and our former Executive Vice President, in the aggregate, owned approximately 25.61%, on an undiluted basis, of Hughes Systique's outstanding shares as of December 31, 2010. Furthermore, our CEO and President and Jeffrey A. Leddy, a member

of our Board of Directors and HNS' Board of Managers, serve on the board of directors of Hughes Systique. As a result of the Termination Agreement, we are required to consolidate Hughes Systique's results of operations in our operating results. For a description of additional transactions entered into between the Company and Hughes Systique, see Note 3—Consolidation of Hughes Systique Corporation.

Agreement with 95 West Co., Inc.

In July 2006, HNS entered into an agreement with 95 West Co. and its parent, MLH, pursuant to which 95 West Co. and MLH agreed to provide a series of coordination agreements which allow HNS to operate its SPACEWAY 3 at an orbital position where such parties have higher-priority rights. Jeffrey A. Leddy, a member of our Board of Directors and HNS' Board of Managers, is the managing director of 95 West Co. and MLH and also owns a small interest in each. Andrew Africk, another member of our Board of Directors and HNS' Board of Managers, is also a director of MLH. As part of the agreement, HNS agreed to pay $9.3 million, in annual installments of $0.3 million in 2006, $0.75 million in each year between 2007 and 2010 and $1.0 million in each year between 2011 and 2016 for the use of the orbital position, subject to conditions in the agreement including HNS' ability to operate SPACEWAY 3. As of December 31, 2010, the remaining debt balance under the capital lease was $4.9 million, which was included in "Capital lease and other" in the short-term and long-term debt tables included in Note 12—Debt. During 2010, we paid $0.75 million to 95 West Co. pursuant to the agreement.

Smart & Final, Inc.

As of December 31, 2010, Apollo owned, directly or indirectly, 96% of Smart & Final, Inc. ("Smart & Final"). We provide broadband products and services to Smart & Final.

CKE Restaurants, Inc.

On July 12, 2010, an affiliate of Apollo acquired CKE Restaurants, Inc. ("CKE"). As a result, CKE indirectly became our related party as of that date. We provide broadband products and services to CKE.

Intelsat Holdings Limited

The Company and its subsidiaries lease satellite transponder capacity from Intelsat Holdings Limited ("Intelsat"). In addition, our Italian subsidiary, Hughes Network Systems, S.r.L., entered into a cooperation agreement with Intelsat, Telespazio and Telecom Italia. Under this agreement, the parties are cooperating to provide broadband satellite services for Italian businesses operating in Eastern Europe and North Africa. Effective February 4, 2008, Apollo divested its entire ownership interest in Intelsat, and as a result, Intelsat is no longer a related party.

Other

Certain members of our Board of Directors and officers serve on the boards of directors of some of our affiliates. In some cases, such directors and officers have received stock-based compensation from such affiliates for their service. In those cases, the amount of stock-based compensation received by the directors and officers is comparable to stock-based compensation awarded to other non-executive members of the affiliates' boards of directors.

Related Party Transactions

Sales and purchase transactions with related parties are as follows (in thousands):

	Year Ended December 31, 2010	2009	2008
Sales:			
HTI	$ 501	$ 23,644	$ 31,065
Others	1,046	476	897
Total sales	$ 1,547	$ 24,120	$ 31,962
Purchases:			
Hughes Systique(1)	$ —	$ 1,591	$ 9,419
95 West Co.	—	—	750
Intelsat(2)	—	—	10,074
Total purchases	$ —	$ 1,591	$ 20,243

(1) For the period after March 11, 2009, Hughes Systique's results of operations are consolidated with the Company's operating results.
(2) Subsequent to February 4, 2008, Intelsat is no longer a related party.

Assets resulting from transactions with related parties are as follows (in thousands):

	December 31, 2010	2009
Due from related parties:		
HTI	$ 5,632	$ 8,652
Others	159	52
Total due from related parties	$ 5,791	$ 8,704

Note 21: Net Income (loss) Attributable to HCI stockholders and Transfer from Noncontrolling Interests

	Year Ended December 31, 2010	2009 (In thousands)	2008
Net income (loss) attributable to HCI stockholders	$ 22,787	$ (52,693)	$ 9,018
Transfers from the noncontrolling interest:			
Decrease in HCI paid-in capital for purchase of subsidiary shares	—	(396)	—
Change from net income (loss) attributable to HCI stockholders and transfers from the noncontrolling interest	$ 22,787	$ (53,089)	$ 9,018

Note 22: Commitments and Contingencies

Litigation

We are periodically involved in litigation in the ordinary course of our business involving claims regarding intellectual property infringement, product liability, property damage, personal injury, contracts, employment and worker's compensation. We do not believe that there are any such pending or threatened legal proceedings, including ordinary litigation incidental to the conduct of our business and the ownership of our properties that, if adversely determined, would have a material adverse effect on our business, financial condition, results of operations or liquidity.

In October 2008, Hughes Telecommunicaçoes do Brasil Ltda. ("HTB"), a wholly-owned subsidiary of HNS, received a tax assessment of approximately $7.6 million from the State of São Paulo Treasury Department. The tax assessment alleges that HTB failed to pay certain import taxes to the State of São Paulo. Recent decrees and legislative actions by the State of São Paulo will alleviate approximately $4.8 million of the tax assessment over time with no impact to the Company. We do not believe the assessment is valid and plan to dispute the State of São Paulo's claims and to defend vigorously against these allegations. Therefore, we have not recorded a liability. It is the opinion of management that such litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

In March 2009, an arbitration panel ruled in favor of HNS in its arbitration against Sea Launch Limited Partnership and Sea Launch Company, LLC (collectively, "Sea Launch") entitling HNS to a full refund of $44.4 million (the "Deposit") in payments made to Sea Launch in connection with launch services for SPACEWAY 3, in addition to interest of 10% per annum on the $44.4 million from July 10, 2007 until payment on the Deposit is received in full. On June 22, 2009, Sea Launch filed a voluntary petition to reorganize under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. As a result of this filing, our efforts to pursue collection of the arbitral award from Sea Launch were stayed under the bankruptcy laws. On May 27, 2010, HNS entered into a settlement agreement with Sea Launch to resolve the claim that HNS filed in the Sea Launch bankruptcy (the "Settlement Agreement"). The Settlement Agreement provides that Sea Launch will irrevocably issue to HNS two credits, each in the amount of $22.2 million (the "Credits"), in satisfaction and discharge of HNS' bankruptcy claim. The Credits may be used by HNS to defray the cost of up to two launches contracted by December 31, 2015, and scheduled to occur by December 31, 2017. In addition, subject to the terms and conditions of the Settlement Agreement, one or both Credits may be transferred to third parties. The bankruptcy court has approved the Settlement Agreement, and its terms have been incorporated into the court's order approving Sea Launch's plan of reorganization. The Settlement Agreement became effective on October 27, 2010.

On May 18, 2009, the Company and HNS received notice of a complaint filed in the U.S. District Court for the Northern District of California by two California subscribers to the HughesNet service. The plaintiffs complain about the speed of the HughesNet service, the Fair Access Policy, early termination fees and certain terms and conditions of the HughesNet subscriber agreement. The plaintiffs seek to pursue their claims as a class action on behalf of other California subscribers. On June 4, 2009, the Company and HNS received notice of a similar complaint filed by another HughesNet subscriber in the Superior Court of San Diego County, California. The plaintiff in this case also seeks to pursue his claims as a class action on behalf of other California subscribers. Both cases have been consolidated into a single case in the U.S. District Court for the Northern District of California. In January 2011, the Company agreed to settle this consolidated case on a nationwide basis, subject to court approval. As a result, the Company has accrued $1.9 million for estimated settlement costs, plaintiffs' attorney fees and other related expenses. In the event that the settlement is not effectuated, the Company would revert to its previous position of vigorously defending these matters as it believes that the allegations in these complaints are not meritorious.

On December 18, 2009, the Company and HNS received notice of a complaint filed in the Cook County, Illinois, Circuit Court by a former subscriber to the HughesNet service. The complaint seeks a declaration allowing the former subscriber to file a class arbitration challenging early termination fees under the subscriber agreement. The Company was dismissed from this case in September 2010, while HNS remains a defendant. HNS's motion to dismiss, filed in September 2010, is pending, and HNS will continue to vigorously defend the case.

Some or all of the Company, its Directors, EchoStar Corporation, EchoStar Satellite Services, L.L.C. ("EchoStar LLC"), Broadband Acquisition Corporation ("Merger Sub"), and Apollo Global Management, LLC ("AGM") have been named as defendants in four shareholder class action lawsuits in connection with the proposed transaction in which EchoStar will acquire all of the outstanding equity of HCI and its subsidiaries. See Note 25—Subsequent Events for further discussion. On February 18, 2011, the Gottlieb Family Foundation filed its class action complaint in the Circuit Court for Montgomery County, Maryland. On February 23, 2011, Plymouth County Retirement System filed its shareholder class action complaint in the Court of Chancery of the State of Delaware. On February 24, 2011, Edward Ostensoe filed a shareholder class action complaint in the Circuit Court for Montgomery County, Maryland. On February 28, 2011, Nina J. Shah Rohrbasser Irr. Trust filed a shareholder class action complaint in the Court of Chancery of the State of Delaware. Each complaint alleges that the directors of the Company breached their fiduciary duties in agreeing to the transaction. The complaints also allege that some or all of the Company, EchoStar, EchoStar LLC, Merger Sub and AGM aided and abetted such breaches by the directors of the Company. In each case, the Plaintiffs seek to enjoin the proposed transaction and/or damages, costs, and attorney fees. The Company believes that the allegations in all of these complaints are not meritorious and we intend to vigorously defend these matters.

Product Warranties

We warrant our hardware products over 12 months, depending on the products sold, following the date of installation. A large portion of our enterprise customers enter into maintenance agreements under which we recognize revenue for providing maintenance services that prolong the life and effectiveness of the installed hardware, thus minimizing the potential for warranty claims or repairs. Warranty reserves are determined based on historical warranty repair experience and an assessment of the number of units remaining under warranty coverage. Long-term contracts for the sale of wireless communications systems may include contractual provisions relating to warranty coverage for fixed terms generally not exceeding five years. Warranty provisions for these contracts are included in the determination of overall contract costs and earnings, based on management's estimates of the cost of the related coverage. Accrued contract warranty costs are reviewed and adjusted, as appropriate, over the term of the contractual warranty period.

Changes in accrued warranty costs were as follows (in thousands):

	December 31,	
	2010	2009
Balance beginning of period	$ 1,943	$ 3,909
Warranty costs accrual	342	2,372
Warranty costs incurred	(567)	(4,338)

Balance at end of period	$ 1,718	$ 1,943

Leases

We have non-cancelable operating leases having lease terms in excess of one year, primarily for real property. Future minimum payments under such leases at December 31, 2010 are as follows (in thousands):

	Amount
Year ending December 31,	
2011	$ 13,071
2012	10,956
2013	7,347
2014	5,705
2015	3,017
Thereafter	4,097
Total minimum lease payments	$ 44,193

Rental expenses under operating leases, net of sublease income, were $15.3 million, $14.4 million and $12.8 million for the years ended December 31, 2010, 2009 and 2008, respectively. The total of minimum rentals to be received in the future under non-cancelable subleases as of December 31, 2010 was $0.1 million.

We have non-cancelable vendor obligations for acquisition of transponder capacity. Future minimum payments under such obligations at December 31, 2010 are as follows (in thousands):

	Amount
Year ending December 31,	
2011	$ 119,466
2012	67,483
2013	49,846
2014	35,685
2015	28,337
Thereafter	11,947
Total minimum lease payments	$ 312,764

Rental expenses under operating leases for transponder capacity were $172.6 million, $180.9 million and $193.3 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Commitments

In June 2009, HNS entered into an agreement with SS/L for the construction of Jupiter and has agreed to make installment payments to SS/L upon the completion of each milestone as set forth in the agreement. HNS entered into a contract with Barrett Xplore Inc. (“Barrett”), whereby Barrett agreed to lease user beams and purchase gateways and Ka-band terminals for the Jupiter satellite that are designed to operate in Canada. In April 2010, HNS entered into an agreement with Arianespace for the launch of Jupiter in the first half of 2012. Pursuant to the agreement, the Ariane 5 will launch Jupiter into geosynchronous transfer orbit from Guiana Space Centre in Kourou, French Guiana. As of December 31, 2010, our remaining obligation for the construction and launch of Jupiter was approximately $210.8 million.

We are contingently liable under standby letters of credit and bonds in the aggregate amount of $16.2 million that were undrawn as of December 31, 2010. Of this amount, $4.4 million was issued under the Revolving Credit Facility; $0.7 million was secured by restricted cash; $1.1 million related to insurance bonds; and $10.0 million was issued under credit arrangements available to our Indian and Brazilian subsidiaries. Certain letters of credit issued by our foreign subsidiaries are secured by certain assets. As of December 31, 2010, these obligations were scheduled to expire as follows: $13.5 million in 2011; $1.0 million in 2012; $0.4 million in 2013; and $1.3 million in 2014 and thereafter.

Note 23: Supplemental Guarantor and Non-Guarantor Financial Information

On August 8, 2007, the Company filed a shelf registration statement on Form S-3, as amended on November 15, 2007, to register shares of our common stock, preferred stock, and warrants and debt securities and non-convertible debt securities of HNS and HNS Finance Corp., a finance subsidiary which is HNS’s wholly-owned subsidiary (the “Co-Issuer”), as co issuers. In connection with any future issuance of debt securities of HNS and the Co-Issuer, we will, and one or more of our other subsidiaries may, on a joint and several basis, offer full and unconditional guarantees of the obligations of HNS and the Co-Issuer, under such debt securities. The registration statement was declared effective by the Securities and Exchange Commission on November 19, 2007 and expired on November 19, 2010.

In lieu of providing separate audited financial statements of HNS, the Co-Issuer and HNS’ guarantor subsidiaries, condensed financial statements prepared in accordance with Rule 3-10 and Rule 5-04 of Regulation S-X are presented below. The column marked “Parent” represents our results of operations, with the subsidiaries accounted for using the equity method. The column marked “Subsidiary Issuer” represents the results of HNS. The column marked “Guarantor Subsidiaries” includes the results of HNS’ guarantor subsidiaries and the Co-Issuer, which is a co-issuer of HNS’ Senior Notes and which had no assets, operations, revenues or cash flows for the periods presented. The column marked “Non-Guarantor Subsidiaries” includes the results of non-guarantor subsidiaries of the Company and HNS. Eliminations necessary to arrive at the information for the Company on a consolidated basis for the periods presented are included in the column so labeled. Separate financial statements and other disclosures concerning the Co-Issuer and HNS’ Guarantor Subsidiaries are not presented because management has determined that they are not material to investors.

The following represents the supplemental condensed financial statements of the Company, HNS, the Guarantor Subsidiaries and the Non-guarantor Subsidiaries. These condensed financial statements should be read in conjunction with our consolidated financial statements and notes thereto. In 2010, the Company liquidated one of its wholly-owned non-guarantor subsidiaries. As a result, certain

prior period items in the following supplemental condensed financial statements have been reclassified to conform to the current period presentation.

Condensed Consolidated Balance Sheet as of December 31, 2010
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Cash and cash equivalents	$ 56,583	$ 67,707	$ 256	$ 13,585	$ —	138,131
Marketable securities	37,857	6,675	—	—	—	44,532
Receivables, net	9,437	141,422	38	61,067	(25,272)	186,692
Inventories	—	45,388	—	12,431	—	57,819
Prepaid expenses and other	181	9,172	70	16,704	—	26,127
Total current assets	104,058	270,364	364	103,787	(25,272)	453,301
Property, net	—	713,007	32,948	28,097	—	774,052
Investment in subsidiaries	221,665	118,080	—	—	(339,745)	—
Other assets	7,404	98,967	1,405	29,746	(1,700)	135,822
Total assets	$ 333,127	$ 1,200,418	$ 34,717	$ 161,630	$ (366,717)	1,363,175
Liabilities and equity						
Accounts payable	$ 681	$ 101,684	$ 199	$ 36,764	$ (19,126)	120,202
Short-term debt	—	2,284	—	4,001	—	6,285
Accrued liabilities and other	756	109,561	—	24,619	(6,146)	128,790
Total current liabilities	1,437	213,529	199	65,384	(25,272)	255,277
Long-term debt	—	737,677	—	2,899	—	740,576
Other long-term liabilities	—	27,308	—	1,700	(1,700)	27,308
Total HCI stockholders' equity	329,050	221,904	26,194	91,647	(339,745)	329,050
Noncontrolling interests	2,640	—	8,324	—	—	10,964
Total liabilities and equity	$ 333,127	$ 1,200,418	$ 34,717	$ 161,630	$ (366,717)	1,363,175

Condensed Consolidated Balance Sheet as of December 31, 2009
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Cash and cash equivalents	$ 74,825	$ 173,991	$ 1,091	$ 11,131	$ —	261,038
Marketable securities	16,062	31,126	—	—	—	47,188
Receivables, net	7,888	115,948	628	63,405	(24,053)	163,816
Inventories	—	47,437	138	12,669	—	60,244
Prepaid expenses and other	264	7,421	234	14,557	—	22,476
Total current assets	99,039	375,923	2,091	101,762	(24,053)	554,762
Property, net	—	542,642	32,792	26,969	—	602,403
Investment in subsidiaries	200,687	115,136	—	—	(315,823)	—
Other assets	8,903	102,045	3,221	32,663	(1,603)	145,229
Total assets	$ 308,629	$ 1,135,746	$ 38,104	$ 161,394	$ (341,479)	1,302,394
Liabilities and equity						
Accounts payable	$ 753	$ 97,114	$ 2,272	$ 39,122	$ (19,800)	119,461
Short-term debt	—	2,054	—	4,696	—	6,750
Accrued liabilities and other	701	110,088	714	24,524	(4,253)	131,774
Total current liabilities	1,454	209,256	2,986	68,342	(24,053)	257,985
Long-term debt	—	710,259	—	4,698	—	714,957
Other long-term liabilities	—	16,191	—	1,768	(1,603)	16,356
Total HCI stockholders' equity	304,041	200,040	29,197	86,586	(315,823)	304,041
Noncontrolling interests	3,134	—	5,921	—	—	9,055
Total liabilities and equity	$ 308,629	$ 1,135,746	$ 38,104	$ 161,394	$ (341,479)	1,302,394

Condensed Consolidated Statement of Operations for the Year Ended December 31, 2010

(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 902	$ 907,682	$ 1,911	$ 164,187	$ (31,355)	$ 1,043,327
Operating costs and expenses:						
Costs of revenues	—	635,057	306	120,871	(28,406)	727,828
Selling, general and administrative	3,834	168,742	3,641	33,244	(2,949)	206,512
Research and development	—	19,824	455	—	—	20,279
Amortization of intangible assets	—	2,582	168	334	—	3,084
Total operating costs and expenses	3,834	826,205	4,570	154,449	(31,355)	957,703
Operating income (loss)	(2,932)	81,477	(2,659)	9,738	—	85,624
Other income (expense):						
Interest expense	—	(58,098)	—	(1,497)	250	(59,345)
Interest and other income, net	729	625	870	443	(250)	2,417
Equity in earnings of subsidiaries	24,558	2,252	—	—	(26,810)	—
Income (loss) before income tax expense	22,355	26,256	(1,789)	8,684	(26,810)	28,696
Income tax expense	(25)	(863)	—	(4,828)	—	(5,716)
Net income (loss)	22,330	25,393	(1,789)	3,856	(26,810)	22,980
Net (income) loss attributable to noncontrolling interests	457	—	(1,214)	564	—	(193)
Net income (loss) attributable to HCI stockholders	$ 22,787	$ 25,393	$ (3,003)	$ 4,420	$ (26,810)	$ 22,787

Condensed Consolidated Statement of Operations for the Year Ended December 31, 2009
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 600	$ 873,794	$ 9,680	$ 158,719	$ (33,094)	$ 1,009,699
Operating costs and expenses:						
Costs of revenues	—	644,750	5,281	117,810	(29,521)	738,320
Selling, general and administrative	3,879	147,793	5,173	27,403	(3,573)	180,675
Loss on impairments	6,239	44,400	—	—	—	50,639
Research and development	—	19,574	2,722	—	—	22,296
Amortization of intangible assets	—	4,038	1,126	293	—	5,457
Total operating costs and expenses	10,118	860,555	14,302	145,506	(33,094)	997,387
Operating income (loss)	(9,518)	13,239	(4,622)	13,213	—	12,312
Other income (expense):						
Interest expense	—	(62,972)	—	(1,344)	197	(64,119)
Interest and other income, net	987	1,541	—	275	(197)	2,606
Equity in earnings (losses) of subsidiaries	(44,466)	4,033	—	—	40,433	—
Income (loss) before income tax (expense) benefit	(52,997)	(44,159)	(4,622)	12,144	40,433	(49,201)
Income tax (expense) benefit	2	(746)	—	(1,702)	—	(2,446)
Net income (loss)	(52,995)	(44,905)	(4,622)	10,442	40,433	(51,647)
Net (income) loss attributable to noncontrolling interests	302	—	(1,842)	494	—	(1,046)
Net income (loss) attributable to HCI stockholders	$ (52,693)	$ (44,905)	$ (6,464)	$ 10,936	$ 40,433	$ (52,693)

Condensed Consolidated Statement of Operations for the Year Ended December 31, 2008
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 462	$ 894,885	$ 13,873	$ 186,728	$ (35,595)	$ 1,060,353
Operating costs and expenses:						
Costs of revenues	24	676,339	5,878	134,476	(31,756)	784,961
Selling, general and administrative	4,280	140,747	5,533	31,127	(3,839)	177,848
Research and development	—	23,931	2,902	—	—	26,833
Amortization of intangible assets	—	5,387	1,032	—	—	6,419
Total operating costs and expenses	4,304	846,404	15,345	165,603	(35,595)	996,061
Operating income (loss)	(3,842)	48,481	(1,472)	21,125	—	64,292
Other income (expense):						
Interest expense	(2)	(49,898)	—	(1,429)	2	(51,327)
Interest and other income, net	802	2,448	—	708	(2)	3,956
Equity in earnings of subsidiaries	12,096	11,988	—	—	(24,084)	—
Income (loss) before income tax	9,054	13,019	(1,472)	20,404	(24,084)	16,921

expense						
Income tax expense	(5)	(923)	—	(6,665)	—	(7,593)
Net income (loss)	9,049	12,096	(1,472)	13,739	(24,084)	9,328
Net (income) loss attributable to noncontrolling interests	(31)	—	(381)	102	—	(310)
Net income (loss) attributable to HCI stockholders	$ 9,018	$ 12,096	$ (1,853)	$ 13,841	$ (24,084)	$ 9,018

Condensed Consolidated Statement of Cash Flows for the Year Ended December 31, 2010
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:						
Net income (loss)	$ 22,330	$ 25,393	$ (1,789)	$ 3,856	$ (26,810)	$ 22,980
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(19,275)	107,216	3,036	7,954	26,810	125,741
Net cash provided by operating activities	3,055	132,609	1,247	11,810	—	148,721
Cash flows from investing activities:						
Change in restricted cash	—	1,103	—	108	—	1,211
Purchases of marketable securities	(76,412)	(29,280)	—	—	—	(105,692)
Proceeds from sales of marketable securities	54,596	53,693	—	—	—	108,289
Expenditures for property	—	(271,863)	(2,082)	(8,874)	—	(282,819)
Expenditures for capitalized software	—	(13,073)	—	—	—	(13,073)
Proceeds from sales of property	—	19	—	186	—	205
Other, net	385	—	—	1,462	—	1,847
Net cash used in investing activities	(21,431)	(259,401)	(2,082)	(7,118)	—	(290,032)
Cash flows from financing activities:						
Short-term revolver borrowings	—	—	—	4,761	—	4,761
Repayments of revolver borrowings	—	—	—	(5,347)	—	(5,347)
Proceeds from exercise of stock options	134	—	—	—	—	134
Long-term debt borrowings	—	29,702	—	1,900	—	31,602
Repayment of long-term debt	—	(2,054)	—	(4,198)	—	(6,252)
Debt issuance costs	—	(7,140)	—	—	—	(7,140)
Net cash provided by (used in) financing activities	134	20,508	—	(2,884)	—	17,758
Effect of exchange rate changes on cash and cash equivalents	—	—	—	646	—	646
Net decrease in cash and cash equivalents	(18,242)	(106,284)	(835)	2,454	—	(122,907)
Cash and cash equivalents at beginning of period	74,825	173,991	1,091	11,131	—	261,038
Cash and cash equivalents at end of period	$ 56,583	$ 67,707	$ 256	$ 13,585	$ —	$ 138,131

Condensed Consolidated Statement of Cash Flows for the Year Ended December 31, 2009
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:						
Net income (loss)	$ (52,995)	$ (44,905)	$ (4,622)	$ 10,442	$ 40,433	$ (51,647)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	40,051	202,417	8,534	(7,540)	(40,433)	203,029
Net cash provided by (used in) operating activities	(12,944)	157,512	3,912	2,902	—	151,382
Cash flows from investing activities:						

Change in restricted cash	331	(1)	—	(107)	—	223
Purchases of marketable securities	(21,038)	(41,080)	—	—	—	(62,118)
Proceeds from sales of marketable securities	5,000	10,000	—	—	—	15,000
Expenditures for property	—	(133,746)	(4,837)	(12,181)	—	(150,764)
Expenditures for capitalized software	—	(12,772)	—	—	—	(12,772)
Proceeds from sales of property	—	14	3	380	—	397
Cash acquired, consolidation of Hughes Systique	—	—	—	828	—	828
Long-term loan receivable	—	(10,000)	—	—	—	(10,000)
Other, net	(75)	(410)	—	(345)	—	(830)
Net cash used in investing activities	(15,782)	(187,995)	(4,834)	(11,425)	—	(220,036)
Cash flows from financing activities:						
Short-term revolver borrowings	—	—	—	6,791	—	6,791
Repayments of revolver borrowings	—	—	—	(7,861)	—	(7,861)
Long-term debt borrowings	—	138,024	—	9,825	—	147,849
Repayment of long-term debt	—	(4,894)	—	(7,483)	—	(12,377)
Debt issuance costs	—	(4,612)	—	—	—	(4,612)
Net cash provided by financing activities	—	128,518	—	1,272	—	129,790
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(3,914)	—	(3,914)
Net increase (decrease) in cash and cash equivalents	(28,726)	98,035	(922)	(11,165)	—	57,222
Cash and cash equivalents at beginning of period	103,551	75,956	2,013	22,296	—	203,816
Cash and cash equivalents at end of period	$ 74,825	$ 173,991	$ 1,091	$ 11,131	$ —	$ 261,038

Condensed Consolidated Statement of Cash Flows for the Year Ended December 31, 2008
(In thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:						
Net income (loss)	$ 9,049	$ 12,096	$ (1,472)	$ 13,739	$ (24,084)	$ 9,328
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(7,509)	40,452	8,174	(2,826)	24,084	62,375
Net cash provided by operating activities	1,540	52,548	6,702	10,913	—	71,703
Cash flows from investing activities:						
Change in restricted cash	—	3,577	—	(473)	—	3,104
Purchases of marketable securities	(2,070)	—	—	—	—	(2,070)
Proceeds from sales of marketable securities	8,100	11,090	—	—	—	19,190
Expenditures for property	—	(69,535)	(4,839)	(7,295)	—	(81,669)
Expenditures for capitalized software	—	(14,564)	—	—	—	(14,564)
Proceeds from sales of property	—	(10,543)	—	—	—	(10,543)
Investment in Hughes Systique	(1,500)	—	—	—	—	(1,500)
Hughes Systique note receivables	(500)	—	—	—	—	(500)
Net cash provided by (used in) investing activities	4,030	(79,975)	(4,839)	(7,768)	—	(88,552)
Cash flows from financing activities:						
Net increase in notes and loans payable	—	—	—	223	—	223
Proceeds from equity offering	93,046	—	—	—	—	93,046
Proceeds from exercise of stock options	75	—	—	—	—	75
Long-term debt borrowings	—	173	—	3,433	—	3,606
Repayment of long-term debt	—	(10,320)	—	(3,429)	—	(13,749)
Net cash provided by (used in) financing activities	93,121	(10,147)	—	227	—	83,201
Effect of exchange rate changes on cash and cash equivalents	—	—	—	3,372	—	3,372
Net increase (decrease) in cash and cash equivalents	98,691	(37,574)	1,863	6,744	—	69,724
Cash and cash equivalents at beginning of period	4,860	113,530	150	15,552	—	134,092
Cash and cash equivalents at end of period	$ 103,551	$ 75,956	$ 2,013	$ 22,296	$ —	$ 203,816

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

Note 24: Supplementary Unaudited Quarterly Financial Information

The following table sets forth selected unaudited quarterly financial data, which included all adjustments that are necessary, in the opinion of our management, for a fair presentation of its results of operations for the interim periods (in thousands, except per share data):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2010:				
Revenues	$ 243,193	$ 252,368	$ 266,282	$ 281,484
Gross margin	$ 66,594	$ 73,390	$ 81,506	$ 94,009
Net income (loss)	$ (6,174)	$ 1,529	$ 9,968	$ 17,657
Net income (loss) attributable to HCI stockholders	$ (6,140)	$ 1,910	$ 10,137	$ 16,880
Basic earnings (loss) per share	$ (0.29)	$ 0.09	$ 0.47	$ 0.78
Diluted earnings (loss) per share	$ (0.29)	$ 0.08	$ 0.45	$ 0.74
2009:				
Revenues	$ 240,215	$ 255,827	$ 251,417	$ 262,240
Gross margin	$ 59,340	$ 67,485	$ 69,003	$ 75,551
Net income (loss)	$ (4,328)	$ (47,432)	$ (2,529)	$ 2,642
Net income (loss) attributable to HCI stockholders	$ (4,696)	$ (47,742)	$ (2,622)	$ 2,367
Basic earnings (loss) per share	$ (0.22)	$ (2.23)	$ (0.12)	$ 0.11
Diluted earnings (loss) per share	$ (0.22)	$ (2.23)	$ (0.12)	$ 0.11

Note 25: Subsequent Event

Agreement and Plan of Merger

On February 13, 2011, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with EchoStar Corporation, a Nevada corporation (“EchoStar”), EchoStar Satellite Services L.L.C., a Colorado limited liability company (“Satellite Services”), and Broadband Acquisition Corporation, a Delaware corporation (“Merger Sub”), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the “Merger”), with the Company continuing as the surviving entity and becoming a wholly owned subsidiary of EchoStar.

Pursuant to the Merger Agreement, upon the closing of the Merger, each of our issued and outstanding share of common stock (other than any of our common stock with respect to which appraisal rights have been duly exercised under Delaware law) will automatically be converted into the right to receive $60.70 in cash (without interest) and cancelled. Vested restricted stock award and restricted stock units will become our common stock upon the closing of the Merger and are therefore entitled to the right to receive $60.70 in cash (without interest) and cancelled. Unvested restricted stock awards and restricted stock units at the closing of the Merger have the right to receive $60.70 in cash (without interest) and cancel, payable at the time such restricted stocks vest.

Vested stock options to acquire our common stock will continue to be outstanding until the closing of the Merger. Upon the closing of the Merger, vested options will be cancelled, and within 10 days after the closing of the Merger, each vested stock option will receive $60.70 in cash (without interest) minus the exercise price of the stock option per share. Unvested stock option at closing of the Merger will be converted into the right to receive $60.70 in cash (without interest) minus the exercise price of the stock option per share and cancel, payable at the time such options vest.

The Merger Agreement also contemplates to refinance certain of HNS’ existing debts, including the 2009 and 2006 Senior Notes. The COFACE Guaranteed Facility will continue to remain outstanding following the Merger if the requisite lender consents thereunder are obtained.

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – Continued

Each of the boards of directors of the Company and Merger Sub approved the Merger Agreement and deemed it advisable and fair to, and in the best interests of, their respective companies and stockholders, to enter into the Merger Agreement and to consummate the Merger and the transactions and agreements contemplated thereby. The board of directors of EchoStar approved the Merger Agreement and deemed it advisable and fair to, and in the best interests of, its stockholders to enter into the Merger Agreement and to consummate the transactions and agreements contemplated thereby.

The Merger is expected to close later this year, subject to certain closing conditions, including among others, (i) receiving the required approvals of our stockholders, which approval was effected on February 13, 2011, by written consent of a majority of our stockholders (the “Majority Stockholders’ Written Consents”), (ii) 20 business days having elapsed since the mailing to our stockholders of the definitive information statement, with respect to such adoption of the Merger Agreement, in accordance with the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder, (iii) receiving certain government regulatory approvals, including approval by the Federal Communications Commission (“FCC”), the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the receipt of the consents required under certain export control laws, (iv) the absence of any order or injunction by a court of competent jurisdiction preventing the consummation of the Merger, and the absence of any action taken, or any law enacted, entered, enforced or made applicable to the Merger, by any governmental entity that makes the consummation of the Merger illegal or otherwise restrains, enjoins or prohibits the Merger, (v) the absence of any proceeding in which the Office of Communications of the United Kingdom seeks to prohibit or enjoin the Merger, (vi) the accuracy of the representations and warranties made by the Company, EchoStar and Merger Sub, (vii) the performance, in all material respects, by each of the Company, EchoStar and Merger Sub of all its respective obligations, agreements and covenants under the Merger Agreement, (viii) subject to certain customary exceptions, the absence of (a) a change or event that has a material adverse effect on the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole or (b) any event, change, occurrence or effect that would prevent, materially delay or materially impede the performance by the Company of its obligations under this Agreement or the consummation of the transactions contemplated hereby, if not cured, in either case since February 13, 2011 and (ix) holders of the Company's common stock representing in excess of 25% of the Company's outstanding common stock shall not have exercised (or if exercised, shall not have withdrawn prior to the commencement of the marketing period for the financing of the pending transaction) rights of dissent in connection with the Merger. The Merger Agreement clarifies that no party may rely on a failure of conditions to be satisfied if such party's breach was the proximate cause of the failure.

The Merger Agreement contains customary representations, warranties and covenants of the Company, EchoStar and Merger Sub. In particular, the Company makes certain representations and warranties related to the business in which it operates, including with respect to its communications licenses; the health of its satellite currently in orbit and other related information; that there are no claims under coordination and concession agreements; the status of the HNS' earth stations; and compliance with regulatory and export control laws. EchoStar and Merger Sub also make a representation that EchoStar and Satellite Services have sufficient financing in order to complete the Merger.

The Company has agreed to various covenants in the Merger Agreement, including, among others, covenants (i) to use commercially reasonable efforts to conduct its business in the ordinary course consistent with past practice during the interim period between the execution of the Merger Agreement and completion of the Merger, (ii) not to engage in certain kinds of transactions during this interim period and (iii) to cooperate and use commercially reasonable efforts to take all actions necessary to obtain all governmental and antitrust, FCC and regulatory approvals, subject to certain customary limitations. As noted above, EchoStar and Satellite Services represent and warrant in the Merger Agreement that at the closing of the Merger they will have access to sufficient funds to consummate the Merger and the other transactions contemplated by the Merger Agreement, and there is no closing condition related to them having procured such financing.

The Merger Agreement also contains a covenant pursuant to which the Company has agreed, subject to certain customary exceptions described below, that it will not, and will cause its representatives not to, solicit, facilitate (including by providing information) or participate in any negotiations or discussions with any person relating to, any takeover proposal, as further described in the Merger Agreement. The Merger Agreement contains a "fiduciary-out" provision, which provides that, prior to the time the Company's stockholders have adopted and approved the Merger Agreement (which adoption and approval was obtained on February 13, 2011 pursuant to the Majority Stockholders' Written Consents), the Company's board of directors may engage with alternative purchasers, change their recommendation to the Company's stockholders or enter into a definitive agreement with respect to an unsolicited acquisition proposal, only if the Company's board of directors have determined in good faith (a) that failure to take such action is likely to be inconsistent with the board's fiduciary duties, and (b) that the acquisition proposal constitutes a "Superior Proposal." However, as the Company's stockholders have approved and adopted the Merger Agreement, the "fiduciary-out" provision no longer provides an exception to the non-solicitation obligations described in this paragraph.

The Merger Agreement also contains a covenant pursuant to which EchoStar or the surviving entity must indemnify officers, directors and employees of Hughes Communications and its subsidiaries for a period of six years following the closing of the Merger for all liabilities or claims related to their service or employment with the Company's or its subsidiaries occurring prior to the closing of the Merger. This covenant further requires EchoStar to keep in place the Company's directors and officers liability and fiduciary liability insurance policies in effect at the closing, or purchase a "tail policy" offering similar coverage unless the Company purchases such a policy prior to closing.

The Merger Agreement contains certain termination rights for both the Company and EchoStar. In addition to certain termination rights related to breaches of the agreement or actions taken by the Company with respect to alternative transactions, so long as the failure of the terminating party to comply with its obligations is not the cause for delay in closing, each of EchoStar and the Company has the right to terminate the Merger Agreement unilaterally if the Merger has not closed by a date nine months from the execution of the Merger Agreement. In addition, the Merger Agreement provides that, upon termination of the Merger Agreement under specified circumstances, the Company may be required to pay EchoStar a termination fee of $45 million.

The Merger Agreement also contains termination and other rights related to the occurrence of certain reductions in performance or total loss of the Company's satellite currently in orbit, and certain waivers increasing risks associated with construction, launch or operation of the Company's satellite currently under construction (a "Material Satellite Event"). Upon a Material Satellite Event, EchoStar is entitled to terminate the Merger Agreement until 60 days after the Company provides a written plan describing its intended response (the "Mitigation Plan"). If EchoStar has not provided written consent to the Mitigation Plan 30 days after delivery, the Company can then terminate the Merger Agreement. In addition, from the date of any Material Satellite Event until EchoStar's approval of the Mitigation Plan, the Company will also be required to provide EchoStar with daily reports of customer complaints and subscriber cancellations.

The foregoing description of the Merger Agreement and the transactions and agreements contemplated thereby does not purport to be complete and is subject to and qualified in its entirety by reference to the Merger Agreement.

Exhibit 99.3

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)
(Unaudited)

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 116,914	$ 138,131
Marketable securities	23,672	44,532
Receivables, net	183,357	186,692
Inventories	59,627	57,819
Prepaid expenses and other	26,794	26,127
Total current assets	410,364	453,301
Property, net	837,601	774,052
Capitalized software costs, net	45,326	46,092
Intangible assets, net	10,683	11,440
Goodwill	5,093	5,093
Other assets	74,980	73,197
Total assets	$ 1,384,047	$ 1,363,175
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 97,559	$ 120,202
Short-term debt	4,700	6,285
Accrued liabilities and other	151,760	128,790
Total current liabilities	254,019	255,277
Long-term debt	756,450	740,576
Other long-term liabilities	26,764	27,308
Total liabilities	1,037,233	1,023,161
Commitments and contingencies		
Equity:		
Hughes Communications, Inc. (“HCI”) stockholders’ equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized and no shares issued and outstanding as of March 31, 2011 and December 31, 2010	—	—
Common stock, $0.001 par value; 64,000,000 shares authorized; 21,835,000 shares and 21,834,787 shares issued and outstanding as of March 31, 2011 and December 31, 2010, respectively	22	22
Additional paid in capital	736,993	735,233
Accumulated deficit	(386,918)	(387,756)
Accumulated other comprehensive loss	(14,132)	(18,449)
Total HCI stockholders’ equity	335,965	329,050
Noncontrolling interests	10,849	10,964
Total equity	346,814	340,014
Total liabilities and equity	$ 1,384,047	$ 1,363,175

See accompanying Notes to the Condensed Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Revenues:		
Services revenues	$ 215,670	$ 187,940
Hardware revenues	48,422	55,253
Total revenues	264,092	243,193
Operating costs and expenses:		
Cost of services	132,710	115,713
Cost of hardware	49,574	60,886
Selling, general and administrative	60,977	50,325
Research and development	5,154	4,915
Amortization of intangible assets	757	790
Total operating costs and expenses	249,172	232,629
Operating income	14,920	10,564

		2011		2010
Other income (expense):				
Interest expense		(12,505)		(16,110)
Interest income		419		591
Other income (loss), net		(248)		—
Income (loss) before income tax expense		2,586		(4,955)
Income tax expense		(1,901)		(1,219)
Net income (loss)		685		(6,174)
Net loss attributable to the noncontrolling interests		153		34
Net income (loss) attributable to HCI stockholders	$	838	$	(6,140)
Income (loss) per share:				
Basic	$	0.04	$	(0.29)
Diluted	$	0.04	$	(0.29)
Shares used in computation of per share data:				
Basic		21,766,155		21,480,908
Diluted		23,360,821		21,480,908

See accompanying Notes to the Condensed Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Dollars in thousands, except per share amounts)
(Unaudited)

	HCI Shareholders' Equity											
		Common Stock ($.001 par value)		Additional Paid-In Capital		Accumulated Deficit		Accumulated Other Comprehensive Loss		Noncontrolling Interest		Total
Balance at January 1, 2010	$	22	$	730,809	$	(410,543)	$	(16,247)	$	9,055	$	313,096
Share-based compensation				1,871								1,871
Comprehensive income (loss):												
Net loss						(6,140)				(34)		(6,174)
Foreign currency translation adjustments								(980)		251		(729)
Unrealized loss on hedging instruments								(2,323)		—		(2,323)
Reclassification of realized loss on hedging instruments								1,368		—		1,368
Unrealized loss on available-for-sale securities								(647)		—		(647)
Balance at March 31, 2010	$	22	$	732,680	$	(416,683)	$	(18,829)	$	9,272	$	306,462
Balance at January 1, 2011	$	22	$	735,233	$	(387,756)	$	(18,449)	$	10,964	$	340,014
Share-based compensation				1,868								1,868
Retirement of restricted stocks				(108)								(108)
Comprehensive income (loss):												—
Net income (loss)						838				(153)		685
Foreign currency translation adjustments								1,607		38		1,645
Unrealized loss on hedging instruments								(189)		—		(189)
Reclassification of realized loss on hedging instruments								1,404		—		1,404
Unrealized gain on available-for-sale securities								1,495		—		1,495
Balance at March 31, 2011	$	22	$	736,993	$	(386,918)	$	(14,132)	$	10,849	$	346,814

See accompanying Notes to the Condensed Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,			
		2011		2010
Cash flows from operating activities:				
Net income (loss)	$	685	$	(6,174)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
Depreciation and amortization		37,501		30,133

Amortization of debt issuance costs	861	616
Share-based compensation expense	1,868	1,871
Other	230	61
Change in other operating assets and liabilities, net of acquisition:		
Receivables, net	4,405	2,680
Inventories	(1,581)	(2,078)
Prepaid expenses and other	(939)	919
Accounts payable	(35,558)	(20,789)
Accrued liabilities and other	41,336	5,363
Net cash provided by operating activities	48,808	12,602
Cash flows from investing activities:		
Change in restricted cash	373	86
Purchases of marketable securities	(11,999)	(27,781)
Proceeds from sales of marketable securities	32,868	15,000
Expenditures for property	(101,269)	(63,671)
Expenditures for capitalized software	(2,752)	(3,166)
Proceeds from sale of property	80	—
Net cash used in investing activities	(82,699)	(79,532)
Cash flows from financing activities:		
Short-term revolver borrowings	898	1,999
Repayments of revolver borrowings	(945)	(2,430)
Long-term debt borrowings	16,822	1,220
Repayment of long-term debt	(2,756)	(1,721)
Debt issuance costs	(1,015)	(1,742)
Net cash provided by (used in) financing activities	13,004	(2,674)
Effect of exchange rate changes on cash and cash equivalents	(330)	1,739
Net decrease in cash and cash equivalents	(21,217)	(67,865)
Cash and cash equivalents at beginning of the period	138,131	261,038
Cash and cash equivalents at end of the period	$ 116,914	$ 193,173
Supplemental cash flow information:		
Cash paid for interest	$ 2,491	$ 2,413
Cash paid for income taxes	$ 3,441	$ 2,341
Supplemental non-cash disclosures related to:		
Capitalized software and property acquired, not paid	$ 21,829	$ 25,303

See accompanying Notes to the Condensed Consolidated Financial Statements

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organization and Description of Business

Hughes Communications, Inc. (“HCI” and, together with its consolidated subsidiaries, the “Company” or “we”) was formed as a Delaware corporation on June 23, 2005 and we are a publicly traded company. Our stock trades on the NASDAQ Global Select Market under the symbol “HUGH.”

We operate our business primarily through our wholly-owned subsidiary, Hughes Network Systems, LLC (“HNS”). We are a telecommunications company that provides equipment and services to the broadband communications marketplace. We have extensive technical expertise in satellite, wireline and wireless communications which we utilize in a number of product and service offerings. In particular, we offer a spectrum of broadband equipment and services to the managed services market, which is comprised of enterprises with a requirement to connect a large number of geographically dispersed locations with reliable, scalable, and cost-effective applications, such as credit card verification, inventory tracking and control, and broadcast video. We provide broadband network services and systems to the international and domestic enterprise markets and satellite broadband Internet access to North American consumers, which we refer to as the Consumer market. In addition, we provide networking systems solutions to customers for mobile satellite and wireless backhaul systems. These services are generally provided on a contract or project basis and may involve the use of proprietary products engineered by us.

We have five reportable segments, which we operate and manage as strategic business units and organize by products and services. We measure and evaluate our reportable segments based on the operating earnings of the respective segments. Our business segments include: (i) the North America Broadband segment; (ii) the International Broadband segment; (iii) the Telecom Systems segment; (iv) the HTS Satellite segment; and (v) the Corporate and Other segment. The North America Broadband segment consists of the Consumer group, which delivers broadband Internet service to consumer customers, and the Enterprise group, which provides satellite, wireline and wireless communication network products and services to enterprises. The International Broadband segment consists of our international service companies and provides managed network services and equipment to enterprise customers and broadband service providers worldwide. The Telecom Systems segment consists of the Mobile Satellite Systems group and the Terrestrial Microwave group. The Mobile Satellite Systems group provides turnkey satellite ground segment systems to mobile system operators. The Terrestrial Microwave group provides point-to-multipoint microwave radio network systems that are used for both cellular backhaul and broadband wireless access. The HTS Satellite segment consists of activities related to the development, construction and launch of high throughput satellites (“HTS”) and currently represents construction activities of our new satellite named Jupiter and the development of related network equipment. The Corporate and Other segment includes certain minority interest investments held by us, our corporate offices and assets not specifically related to another business segment.

Note 2: Basis of Presentation and New Accounting Pronouncements

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with: (i) generally accepted accounting principles in the United States of America ("GAAP") for interim financial information; (ii) the instructions to Form 10-Q; and (iii) the guidance of Rule 10-01 of Regulation S-X under the Securities and Exchange Act of 1934, as amended, for financial statements required to be filed with the Securities and Exchange Commission ("SEC"). They include the assets, liabilities, results of operations and cash flows of the Company, including its domestic and foreign subsidiaries that are more than 50% owned or for which the Company is deemed to be the primary beneficiary as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "ASC") 810 "Consolidation." Entities in which the Company holds at least 20% ownership or in which there are other indicators of significant influence are generally accounted for by the equity method, whereby the Company records its proportionate share of the entities' results of operations. Entities in which the Company holds less than 20% ownership and does not have the ability to exercise significant influence are generally carried at cost. As permitted under Rule 10-01 of Regulation S-X, certain notes and other financial information normally required by GAAP have been condensed or omitted. Management believes the accompanying condensed consolidated financial statements reflect all normal and recurring adjustments necessary for a fair presentation of the Company's financial position, results of operations, and cash flows as of and for the periods presented herein. Our results of operations for the three months ended March 31, 2011 may not be indicative of our future results. These condensed consolidated financial statements are unaudited and should be read in conjunction with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010.

All intercompany balances and transactions with subsidiaries and other consolidated entities have been eliminated.

Use of Estimates in the Preparation of the Condensed Consolidated Financial Statements

The preparation of our condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Management bases its estimates and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be affected by changes in those estimates.

New Accounting Pronouncements

Recently Adopted Accounting Guidance

In October 2009, the FASB issued ASU 2009-13 amending ASC 605 "Revenue Recognition" related to revenue arrangements with multiple deliverables. Among other things, ASU 2009-13 provides guidance for entities in determining the accounting for multiple deliverable arrangements and establishes a hierarchy for determining the amount of revenue to allocate to the various deliverables. The adoption of ASU 2009-13 on January 1, 2011 did not have a material impact on our financial statements.

In October 2009, the FASB issued ASU 2009-14 to amend ASC 605 to change the accounting model for revenue arrangements that include both tangible products and software elements. The adoption of ASU 2009-14 on January 1, 2011 did not have a material impact on our financial statements.

Note 3: Recent Developments

On February 13, 2011, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with EchoStar Corporation, a Nevada corporation ("EchoStar"), EchoStar Satellite Services L.L.C., a Colorado limited liability company ("Satellite Services"), and Broadband Acquisition Corporation, a Delaware corporation ("Merger Sub"), pursuant to which, subject to the terms and conditions set forth therein, Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving entity and becoming a wholly owned subsidiary of EchoStar.

Pursuant to the Merger Agreement, upon the closing of the Merger, each of our issued and outstanding shares of common stock (other than any of our common stock with respect to which appraisal rights have been duly exercised under Delaware law) will automatically be converted into the right to receive $60.70 in cash (without interest) and cancelled. Vested restricted stock awards and restricted stock units will become our common stock upon the closing of the Merger and are therefore entitled to the right to receive $60.70 in cash (without interest) and will be cancelled. Unvested restricted stock awards and restricted stock units at the closing of the Merger have the right to receive $60.70 in cash (without interest) payable at the time such restricted stocks vest, and will likewise be cancelled.

Vested options to acquire our common stock will continue to be outstanding until the closing of the Merger. Upon the closing of the Merger, vested options will be cancelled, and within 10 days after the closing of the Merger, each vested stock option will receive $60.70 in cash (without interest) minus the exercise price of the stock option per share. Unvested stock options at closing of the Merger will be converted into the right to receive $60.70 in cash (without interest) minus the exercise price of the stock option per share, payable at the time such options vest.

The Merger Agreement also contemplates refinancing certain of HNS' existing debt, including the 2009 and 2006 Senior Notes. The COFACE Guaranteed Facility will continue to remain outstanding following the Merger if the requisite lender consents thereunder are obtained. See Note 10—Debt for details of the 2006 and 2009 Senior Notes and the COFACE Guaranteed Facility.

Each of the boards of directors of the Company and Merger Sub approved the Merger Agreement and deemed it advisable and fair to, and in the best interests of, their respective companies and stockholders to enter into the Merger Agreement and to consummate the Merger and the transactions and agreements contemplated thereby. The board of directors of EchoStar approved the Merger Agreement and deemed it advisable and fair to, and in the best interests of, its stockholders to enter into the Merger Agreement and to consummate the transactions and agreements contemplated thereby.

The Merger is expected to close later this year, subject to certain closing conditions, including among others, receipt of approval by the Federal Communications Commission, as detailed in our Annual Report on Form 10-K for the year ended December 31, 2010.

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

The foregoing description of the Merger Agreement and the transactions and agreements contemplated thereby does not purport to be complete and is subject to and qualified in its entirety by reference to the Merger Agreement.

Note 4: Marketable Securities

The amortized cost basis and estimated fair value of available-for-sale marketable securities are summarized as follows (in thousands):

	Cost Basis	Gross Unrealized Losses	Estimated Fair Value
March 31, 2011:			
Money market instruments	$ 13,674	$ —	$ 13,674
Certificate of deposit	6,000	(2)	5,998
Municipal commercial paper	4,000	—	4,000
Total available-for-sale securities	$ 23,674	$ (2)	$ 23,672
December 31, 2010:			
Money market instruments	$ 21,665	$ (8)	$ 21,657
Municipal commercial paper	17,875	—	17,875
U.S. government bonds and treasury bills	5,000	—	5,000
Total available-for-sale securities	$ 44,540	$ (8)	$ 44,532

As of March 31, 2011, our investments have ratings of A-1+ and P-1 from Standard & Poor's ("S&P") and Moody's, respectively, for money market instruments and ratings of A-1 and P-1 from S&P and Moody's, respectively, for municipal commercial paper. There was no investment rating for certificate of deposit. In addition to these investments, we hold marketable equity securities as a long-term investment in Other Assets.

Note 5: Receivables, Net

Receivables, net consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Trade receivables	$ 174,833	$ 172,309
Contracts in process	21,891	25,208
Other receivables	4,360	4,332
Total receivables	201,084	201,849
Allowance for doubtful accounts	(17,727)	(15,157)
Total receivables, net	$ 183,357	$ 186,692

Trade receivables included $5.6 million and $5.8 million of amounts due from related parties as of March 31, 2011 and December 31, 2010, respectively. Advances and progress billings offset against contracts in process amounted to $11.3 million and $2.8 million as of March 31, 2011 and December 31, 2010, respectively.

Note 6: Inventories

Inventories consisted of the following (in thousands):

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

	March 31, 2011	December 31, 2010
Production materials and supplies	$ 7,399	$ 7,270
Work in process	11,537	12,828
Finished goods	40,691	37,721
Total inventories	$ 59,627	$ 57,819

Inventories are carried at the lower of cost or market, principally using standard costs adjusted to reflect actual cost, based on variance analyses performed throughout the year. Inventories are adjusted to net realizable value using management's best estimates of future use. In making its assessment of future use or recovery, management considers the aging and composition of inventory balances, the effects of technological and/or design changes, forecasted future product demand based on firm or near-firm customer orders and alternative means of disposition of excess or obsolete items.

Note 7: Property, Net

Property, net consisted of the following (dollars in thousands):

		Estimated Useful Lives (years)	March 31, 2011	December 31, 2010
Land and improvements		10	$ 5,907	$ 5,888
Buildings and leasehold improvements		2 -30	36,693	35,643
Satellite related assets		15	380,394	380,394
Machinery and equipment		1 - 7	217,711	213,419
Consumer rental		2 - 4	172,438	140,616
VSAT operating lease hardware		2 - 5	10,910	13,137
Furniture and fixtures		5 - 7	1,766	1,732
Construction in progress	- Jupiter		294,494	238,358
	- Other		19,609	15,924
Total property			1,139,922	1,045,111
Accumulated depreciation			(302,321)	(271,059)
Total property, net			$ 837,601	$ 774,052

Property and equipment are carried at cost and depreciated or amortized on a straight-line basis over their estimated useful lives. A significant component of our property and equipment is associated with our SPACEWAY™ 3 (“SPACEWAY 3”) satellite, capitalized costs associated with our Jupiter satellite and related assets, and the consumer rental equipment, related to our consumer rental program.

In June 2009, HNS entered into an agreement with Space Systems/Loral, Inc. (“SS/L”), under which SS/L will manufacture Jupiter, our next-generation and geostationary high throughput satellite. Jupiter will employ a multi-spot beam, bent pipe Ka-band architecture and will provide additional capacity for the HughesNet service in North America. The construction of Jupiter began in July 2009 and we began to capitalize all direct costs associated with the construction and the launch of the satellite, including interest incurred during the construction of the satellite. Jupiter is scheduled to be launched in the first half of 2012.

Capitalized satellite costs are depreciated on a straight-line basis over the estimated satellite useful life of 15 years. For the three months ended March 31, 2011 and 2010, we recorded $6.4 million and $2.0 million, respectively, of capitalized interest related to Jupiter.

Note 8: Intangible Assets, Net

Intangible assets, net consisted of the following (dollars in thousands):

	Estimated Useful Lives (years)	Cost Basis	Accumulated Amortization	Net Basis
March 31, 2011:				
Customer relationships	7 - 8	$ 10,405	$ (5,775)	$ 4,630
Patented technology and trademarks	8 - 10	15,275	(9,414)	5,861
Favorable leases	3	629	(437)	192
Total intangible assets, net		$ 26,309	$ (15,626)	$ 10,683
December 31, 2010:				
Backlog and customer relationships	7 - 8	$ 10,405	$ (5,473)	$ 4,932
Patented technology and trademarks	8 - 10	15,275	(9,012)	6,263
Favorable leases	3	629	(384)	245
Total intangible assets, net		$ 26,309	$ (14,869)	$ 11,440

We amortize the recorded values of our intangible assets over their estimated useful lives. For each of the three months ended March 31, 2011 and 2010, we recorded $0.8 million of amortization expense. Estimated future amortization expense as of March 31, 2011 is as follows (in thousands):

	Amount
Remaining nine months ending December 31, 2011	$ 2,271
Year ending December 31,	
2012	2,854
2013	2,818
2014	1,326
2015	1,325
2016	89
Total estimated future amortization expense	$ 10,683

Note 9: Other Assets

Other assets consisted of the following (in thousands):

	March 31, 2011	December 31, 2010
Subscriber acquisition costs	$ 25,755	$ 25,695
Debt issuance costs	17,304	17,150
Other	31,921	30,352
Total other assets	$ 74,980	$ 73,197

As of March 31, 2011, "Other" included our cost method and equity method investments, which includes our investment in Hughes Telematics, Inc. ("HTI"). As of March 31, 2011, we have 3.3 million shares of HTI common stock ("HTI Shares"), of which 1.3 million shares and 2.0 million shares are referred to as Non-escrowed shares and Escrowed shares, respectively.

The Non-escrowed shares had a fair value of $5.2 million as of March 31, 2011. We recorded an unrealized gain of $1.4 million and an unrealized loss of $0.7 million for the three months ended March 31, 2011 and 2010, respectively, and an unrealized loss of $1.4 million since the inception of our investment in the Non-escrowed shares in "Accumulated other comprehensive loss" ("AOCL").

The Escrowed shares are subject to achievement of certain "earn-out" targets by HTI pursuant to HTI's merger agreement with Polaris Acquisition Corp. If the full earn-out is achieved, our investment could represent approximately 3.5% of HTI's outstanding common stock. If the earn-out is not attained, all or a portion of the Escrowed shares will be forfeited. In addition to the risk and valuation fluctuations associated with the earn-out targets, the carrying value of the investment in HTI may be subject to fair value adjustments in future reporting periods. As the Escrowed shares are not considered marketable equity securities as of March 31, 2011, we account for the Escrowed shares using the cost method in accordance with ASC 325 "Investments—Other." As of March 31, 2011, the carrying value of the Escrowed shares of $1.1 million approximated its estimated fair value.

Note 10: Debt

Short-term and current portion of long-term debt consisted of the following (dollars in thousands):

	Interest Rates at March 31, 2011	March 31, 2011	December 31, 2010
Revolving bank borrowings	8.75%	$ 898	$ 967
VSAT hardware financing	7.27% -15.00%	2,036	3,109
Capital lease and other	5.50% -39.60%	1,766	2,209
Total short-term and the current portion of long-term debt		$ 4,700	$ 6,285

As of March 31, 2011, HNS had outstanding revolving bank borrowings of $0.9 million, which had a variable interest rate of 8.75%. The borrowings were obtained by HNS' Indian subsidiary under its revolving line of credit with a local bank. There is no requirement for compensating balances for these borrowings. The total amount available for borrowing by our foreign subsidiaries under various revolving lines of credit was $5.1 million and $4.1 million as of March 31, 2011 and December 31, 2010, respectively.

Long-term debt consisted of the following (dollars in thousands):

	Interest Rates at March 31, 2011	March 31, 2011	December 31, 2010
Senior Notes(1)	9.50%	$ 590,792	$ 590,173
Term Loan Facility	7.62%	115,000	115,000
COFACE Guaranteed Facility	5.13%	43,523	27,403
VSAT hardware financing	7.27% - 15.00%	2,139	3,214
Capital lease and other	5.50% - 13.80%	4,996	4,786
Total long-term debt		$ 756,450	$ 740,576

(1) Includes 2006 Senior Notes and 2009 Senior Notes.

On October 29, 2010, HNS entered into a $115 million loan agreement with BNP Paribas and Societe Generale (the "COFACE Guaranteed Facility"), which is guaranteed by COFACE, the French Export Credit Agency, to finance the launch related costs for our Jupiter satellite. Pursuant to the COFACE Guaranteed Facility, loan draw-downs, which began in the fourth quarter of 2010, will occur over the construction period for the Jupiter launch vehicle up to the time of the launch, which is estimated to be in the first half of 2012. The COFACE Guaranteed Facility has a fixed interest rate of 5.13%, payable semi-annually in arrears starting six months after each borrowing, and requires that principal repayments be paid in 17 consecutive equal semi-annual installments starting the earlier of (i) six months after the in-orbit delivery of Jupiter, or (ii) December 1, 2012. The agreement also contains covenants and conditions which are customary for financings of this type. As of March 31, 2011 and December 31, 2010, the COFACE Guaranteed Facility had an available borrowing capacity of $71.5 million and $87.6 million, respectively.

On March 16, 2010, HNS entered into a credit agreement with JP Morgan Chase Bank, N.A. and Barclays Capital to amend and restate its senior secured $50 million revolving credit facility (the "Revolving Credit Facility"). Pursuant to the terms of the agreement, among other changes, the maturity date of the Revolving Credit Facility was extended to March 16, 2014, subject to an early maturity date of 91 days prior to March 16, 2014 in the event the 2009 and 2006 Senior Notes and the Term Loan Facility (as defined below) of HNS are not (i) repaid in full or (ii) refinanced with new debt (or amended) with maturities of no earlier than 91 days after March 16, 2014. The terms of the Revolving Credit Facility were amended to be: (i) in respect of the interest rate, at our option, the Alternative Borrowing Rate (as defined in the Revolving Credit Facility) plus 2.00% or the Adjusted London Interbank Offered Rate ("LIBOR") (as defined in the Revolving Credit Facility) plus 3.00% and (ii) in respect of the participation fee for outstanding letters of credit, 3.00% per annum, in each case subject to downward adjustment based on our leverage ratio. As of March 31, 2011 and December 31, 2010, the Revolving Credit Facility had no outstanding borrowing, $4.6 million and $4.4 million, respectively, of outstanding letters and an available borrowing capacity of $45.4 million and $45.6 million, respectively.

In May 2009, HNS, along with its subsidiary, HNS Finance Corp., as co-issuer, completed a private debt offering of $150.0 million of 9.50% senior notes maturing on April 15, 2014 (the "2009 Senior Notes"). The terms and covenants with respect to the 2009 Senior Notes are substantially identical to those of the 2006 Senior Notes (as defined below). Interest on the 2009 Senior Notes is accrued from April 15, 2009 and is paid semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2009. As of March 31, 2011 and December 31, 2010, HNS recorded $6.5 million and $3.0 million, respectively, of accrued interest payable related to the 2009 Senior Notes.

In February 2007, HNS borrowed $115 million from a syndicate of banks (the "Term Loan Facility"), which matures on April 15, 2014. The interest on the Term Loan Facility is paid quarterly at Adjusted LIBOR (as defined in the Term Loan Facility) plus 2.50% per annum. To mitigate the variable interest rate risk associated with the Term Loan Facility, HNS entered into a swap agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum (the "Swap Agreement"). As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. As of March 31, 2011 and December 31, 2010, interest accrued based on the Swap Agreement and the Term Loan Facility was $0.7 million.

In April 2006, HNS issued $450 million of 9.50% senior notes maturing on April 15, 2014 (the "2006 Senior Notes"). Interest on the 2006 Senior Notes is paid semi-annually in arrears on April 15 and October 15. As of March 31, 2011 and December 31, 2010, we recorded $19.6 million and $8.9 million, respectively, of accrued interest payable related to the 2006 Senior Notes.

Although the terms and covenants with respect to the 2009 Senior Notes are substantially identical to the 2006 Senior Notes, the 2009 Senior Notes were issued under a separate indenture and do not vote together with the 2006 Senior Notes. Each of the indentures governing the 2006 Senior Notes and the 2009 Senior Notes (collectively, the "Senior Notes"), the agreement governing the amended Revolving Credit Facility, the agreement governing the COFACE Guaranteed Facility and the agreement governing the Term Loan Facility require HNS to comply with certain affirmative and negative covenants: (i) in the case of the indentures, for so long as any Senior Notes are outstanding; (ii) in the case of the amended Revolving Credit Facility, so long as the amended Revolving Credit Facility is in effect; (iii) in the case of the COFACE Guaranteed Facility, for so long as the COFACE Guaranteed Facility remains outstanding; and (iv) in the case of the Term Loan Facility, for so long as the Term Loan Facility remains outstanding. Negative covenants contained in these agreements include limitations on the ability of HNS and/or certain of its subsidiaries to incur additional indebtedness; issue redeemable stock and subsidiary preferred stock; incur liens; pay dividends or distributions or redeem or repurchase capital stock; prepay, redeem or repurchase debt; make loans and investments; enter into agreements that restrict distributions from HNS' subsidiaries; sell assets and capital stock of our subsidiaries; enter into certain transactions with affiliates; consolidate or merge with or into, or sell substantially all of our assets to, another person; and enter into new lines of business. In addition to these negative covenants, the amended Revolving Credit Facility, the indentures governing the Senior Notes, the COFACE Guaranteed Facility and/or the agreement governing the Term Loan Facility contain affirmative covenants that require us to: (i) preserve our businesses and properties; (ii) maintain insurance over our assets; (iii) pay and discharge all material taxes when due; and (iv) furnish the lenders' administrative agent our financial statements for each fiscal quarter and fiscal year, certificates from a financial officer certifying that no Event of Default or Default (as defined in the respective agreements) has occurred during the fiscal period being reported, litigation and other notices, compliance with laws, maintenance of records and other such customary covenants. HNS and its subsidiaries comprise a substantial portion of the Company's net assets and results of operations since January 1, 2006. Because of the negative covenants above, there are certain restrictions on the sale of HNS' assets. As of March 31, 2011 and December 31, 2010, HNS' net assets were $230.1 million and $221.9 million, respectively. Management believes that HNS was in compliance with all of its debt covenants as of March 31, 2011.

Prior to September 2005, we leased certain VSAT hardware under an operating lease with customers which were funded by two financial institutions at the inception of the operating lease for the future operating lease revenues. As part of the agreement, the financial institution received title to the equipment and obtained the residual rights to the equipment after the operating lease with the customer expires and assumed the credit risk associated with non-payment by the customers. However, we retained a continuing obligation to the financing institution to indemnify it from losses it may incur (up to the original value of the hardware) from non-performance of our system (a "Non-Performance Event"). Accordingly, we recognized a liability to the financial institution for the funded amount. We have not provided a reserve for a Non-Performance Event because we believe that the possibility of an occurrence of a Non-Performance Event due to a service outage is remote, given the ability to quickly re-establish customer service at relatively nominal costs.

In July 2006, we entered into a capital lease with 95 West Co., Inc. ("95 West Co.") and its parent, Miraxis License Holdings, LLC ("MLH"), which are our related parties as discussed in Note 15—Transactions with Related Parties. Pursuant to the capital lease agreement, 95 West Co. and MLH agreed to provide a series of coordination agreements allowing HNS to operate SPACEWAY 3 at the 95° west longitude orbital slot where 95 West Co. and MLH have higher priority rights. As of March 31, 2011, the remaining debt balance under the capital lease was $4.9 million, which was included in "Capital lease and other" in the short-term and long-term debt tables above. The remaining payments under the capital lease are subject to conditions in the agreement including our ability to operate SPACEWAY 3 and are $1.0 million for each of the years ending December 31, 2011 through 2016.

Note 11: Financial Instruments

Interest Rate Swap

The interest on the Term Loan Facility was at Adjusted LIBOR plus 2.50% per annum. To mitigate the variable interest rate risk associated with the Term Loan Facility, we entered into the Swap Agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum. As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. We account for the Swap Agreement as a cash flow hedge in accordance with ASC 815-30 "Derivatives and Hedging—Cash Flow Hedges." Accordingly, we recorded a net unrealized gain of $1.2 million and a net unrealized loss of $1.0 million for the three months ended March 31, 2011 and 2010, respectively, in AOCL associated with the fair market valuation of the interest rate swap. The net interest payments based on the

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

Swap Agreement and the Term Loan Facility are paid quarterly and estimated to be approximately $8.8 million for each of the years ending December 31, 2011 through 2013 and $3.3 million for the year ending December 31, 2014. For each of the three months ended March 31, 2011 and 2010, we recorded $2.2 million of interest expense on the Term Loan Facility.

Note 12: Fair Value

Under ASC 820 “Fair Value Measurements and Disclosures,” fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date, and the principal market is defined as the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity for the asset or liability. If there is no principal market, the most advantageous market is used. This is the market in which the reporting entity would sell the asset or transfer the liability with the price that maximizes the amount that would be received for the asset or minimizes the amount that would be paid to transfer the liability. ASC 820 clarifies that fair value should be based on assumptions market participants would make in pricing the asset or liability. Where available, fair value is based on observable quoted market prices or derived from observable market data. Where observable prices or inputs are not available, valuation models are used (i.e. Black-Scholes, a barrier option model or a binomial model). ASC 820 established the following three levels used to classify the inputs used in measuring fair value measurements:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs, other than quoted prices, that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on the assumptions market participants would use in pricing the asset or liability based on the best available information.

In determining fair value, we use various valuation approaches, including market, income and/or cost approaches. Other valuation techniques involve significant management judgment. As of March 31, 2011, the carrying values of cash and cash equivalents, receivables, net, accounts payable, and short-term debt approximated their respective fair values because of their short-term maturities.

Our investment in HTI was measured using Level 1 and Level 2 inputs for the Non-escrowed shares and Escrowed shares, respectively. The fair value of the Non-escrowed shares, as shown in the table below, was determined based on the quoted market prices. As of March 31, 2011, the Non-escrowed shares had a fair value of $5.2 million. We recognized an unrealized gain of $1.4 million for the three months ended March 31, 2011 and an unrealized loss of $1.4 million since the inception of our investment in the Non-escrowed shares in AOCL. The fair value of the Escrowed shares, as shown in the table below, was determined using market observable data and utilizing a barrier option pricing model. The valuation of the Escrowed shares reflects the Company’s best estimate of what market participants would use in pricing the investment based on the best available information.

As of March 31, 2011, the carrying value of the Escrowed shares of $1.1 million approximated its estimated fair value. Based on our valuation analysis in accordance with ASC 320-10-35 “Investments—Debt and Equity Securities—Subsequent Measurement,” we determined that the decline in the estimated fair value of the Escrowed shares during 2010 is not an “other than temporary” impairment.

Our Senior Notes were categorized as Level 1 of the fair value hierarchy as we utilized pricing for recent market transactions for identical notes.

Our Term Loan Facility originally had a variable interest rate based on observable interest rates plus 2.50% per annum. To mitigate the variable interest rate risk, we entered into the Swap Agreement to swap the Adjusted LIBOR for a fixed interest rate of 5.12% per annum. As a result, the Term Loan Facility has a fixed interest rate of 7.62% per annum. We adjust the value of the interest rate swap on a quarterly basis. The fair value of the interest rate swap was categorized as Level 2 of the fair value hierarchy.

Assets and liabilities measured at fair value on a recurring basis are summarized below (dollars in thousands):

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

			March 31, 2011	
	Level	Included In	Carrying Value	Fair Value
Marketable securities	2	Marketable securities	$ 23,672	$ 23,672
2006 Senior Notes	1	Long-term debt	$ 450,000	$ 465,750
2009 Senior Notes	1	Long-term debt	$ 140,792(1)	$ 157,500
Term Loan Facility	2	Long-term debt	$ 115,000	$ 114,425
COFACE Guaranteed Facility	2	Long-term debt	$ 43,523	$ 44,379
Interest rate swap on the Term Loan Facility	2	Other long-term liabilities	$ 11,686	$ 11,686
Capital lease and others	2	Long-term debt	$ 4,996	$ 5,047
VSAT hardware financing	2	Long-term debt	$ 2,139	$ 2,029

(1) Amount represents the face value of $150.0 million, net of the remaining original issue discount of $9.2 million.

Note 13: Income Taxes

For the three months ended March 31, 2011 and 2010, we recorded a net income tax expense of $1.9 million and $1.2 million, respectively. Because of our U.S. federal net operating loss ("NOL") carryforward position and full valuation allowance against our net deferred tax assets, our income tax expense represents taxes associated with our foreign subsidiaries and state taxes. As of March 31, 2011, we estimated that our remaining NOL carry-forwards were approximately $319.3 million, expiring between the years 2012 and 2029, if unused, and our capital loss carry-forwards were approximately $10.4 million, expiring between 2011 and 2014, if unused.

As of March 31, 2011, our German and United Kingdom ("U.K.") subsidiaries have approximately $38.5 million and $56.2 million of NOL carryforwards, respectively. As the U.K. subsidiary is treated as a disregarded entity for U.S. income tax purposes, its net income or loss is reported on HNS' partnership income tax return and subsequently allocated to us. The NOL carryforwards are available to reduce future U.K. taxable income and do not expire. The NOL carryforwards of the German subsidiary are available to reduce future German taxable income and do not expire.

As of March 31, 2011, we have not met the "more-likely-than-not" criteria of ASC 740 "Income Taxes" on deferred tax assets in certain jurisdictions, thus we maintained a full valuation allowance on these deferred tax assets. Any benefit realized from the reversal of valuation allowance will be recorded as a reduction to income tax expense.

In accordance with ASC 740, we have identified unrecognized tax benefits related to tax positions of $4.1 million as of December 31, 2010 and additional unrecognized tax benefits of $0.2 million through March 31, 2011. If recognized, the total unrecognized tax benefits would impact our effective tax rate. We do not believe that the unrecognized tax benefits will significantly fluctuate within the next twelve months. Following is a description of the tax years that remain subject to examination by major tax jurisdictions:

United States - Federal	1997 and forward
United States - Various States	1997 and forward
United Kingdom	2005 and forward
Germany	2004 and forward
Italy	2006 and forward
India	1995 and forward
Mexico	2000 and forward
Brazil	2004 and forward

Note 14: Employee Share-Based Payments

2006 Equity and Incentive Plan

In January 2006, we adopted and our Board of Directors approved the 2006 Equity and Incentive Plan (the "Plan"). The Plan provides for the grant of equity-based awards, including restricted common stock, restricted stock units, stock options, stock appreciation rights and other equity-based awards, as well as cash bonuses and long-term cash awards to directors, officers, other employees, advisors and consultants of the Company and its subsidiaries who are selected by our Compensation Committee for participation in the Plan. We recorded compensation expense related to the restricted stock awards, issued to members of our Board of Directors, our executives, a contractor and HNS' employees, and restricted stock units, issued only to our international employees, after adjustment for forfeitures, of $0.3 million and $0.7 million for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, we had $1.2 million of unrecognized compensation expense related to the restricted stock awards and restricted stock units, which will be recognized over a weighted average life of 1.84 years.

Summaries of non-vested restricted stock awards and restricted stock units are as follows:

Restricted Stock Awards

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2010	78,326	$ 20.19
Vested	(22,175)	$ 14.87
Non-vested at March 31, 2011	56,151	$ 22.29

Restricted Stock Units

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested at December 31, 2010	23,500	$ 26.68
Vested	(2,000)	$ 8.82

Non-vested at March 31, 2011	21,500	$	28.34

Stock Option Program

Our Compensation Committee makes stock option awards under the Plan (the "Stock Option Program"), which consists of the issuance of non-qualified stock options to employees of the Company and its subsidiaries. The grant and exercise price of the stock options is the closing price of the Company's common stock on the date of the grant. Any options forfeited or cancelled before exercise will be deposited back into the option pool and will become available for award under the Stock Option Program. Each grant has a 10 year life and vests 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date. The fair value of each option award was estimated on the date of grant using a Black-Scholes option valuation model.

The key assumptions for the option awards for the three months ended March 31, 2011 are as follows:

	Three Months Ended March 31, 2011
Volatility	45.4%
Weighted-average volatility	45.4%
Expected term	5 years
Risk-free interest rate	2.02%
Dividend yield	—
Discount for post-vesting restrictions	—

A summary of option activity under the Stock Option Program is presented below:

	Option Shares		Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life		Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2010	1,196,950	$	22.56	9.04	$	21,412
Granted	5,000	$	61.59	9.85		—
Forfeited or expired	(3,250)	$	20.17			
Outstanding at March 31, 2011	1,198,700	$	22.73	8.80	$	44,289
Vested and expected to vest at March 31, 2011	1,137,578	$	22.74	8.80	$	42,024
Exercisable at March 31, 2011	1,250	$	17.03	7.71	$	53

The compensation expense related to stock option awards is recognized on a straight-line basis over the four-year vesting period beginning on the date of grant. We recorded $1.4 million and $1.0 million of compensation expense for the three months ended March 31, 2011 and 2010, respectively. As of March 31, 2011, we had $11.3 million of unrecognized compensation expense for non-vested stock options, which will be recognized over a weighted average period of 2.88 years.

HNS' Bonus Unit Plan

In July 2005, HNS adopted an incentive bonus unit plan (the "Bonus Unit Plan"), pursuant to which bonus units were granted to certain employees of the Company. The bonus units provide for time vesting over five years and are subject to a participant's continued employment with HNS. Pursuant to the Bonus Unit Plan, if participants in the Bonus Unit Plan are employed by HNS at the time of the predetermined exchange dates, they are entitled to exchange their vested bonus units for shares of our common stock. The

number of our common stock shares to be issued upon each exchange is calculated based upon the fair market value of the vested bonus unit divided by the average closing trading price of our common stock for the 20 business days immediately preceding the date of the exchange. We recognized compensation expense of $0.1 million and $0.2 million for the three months ended March 31, 2011 and 2010, respectively, related to the Bonus Unit Plan. As of March 31, 2011 and December 31, 2010, HNS had 290,000 and 300,000, respectively, of outstanding bonus units, which will vest on July 15, 2011. If the total outstanding bonus units were to convert into our common stock as of March 31, 2011, they could be exchanged for approximately 33,900 shares of our common stock, net of applicable tax withholding. For the three months ended March 31, 2011, 10,000 bonus units were forfeited.

HNS' Class B Membership Interests

HNS' Class B membership interests were issued to certain members of our senior management, two of HNS' former senior management and a member of our Board of Directors. The Class B membership interests are subject to certain vesting requirements, with 50% of the Class B membership interests subject to time vesting over five years and the other 50% vesting based upon certain performance criteria. At the holders' election, vested Class B membership interests may be exchanged for our common stock. The number of shares of our common stock to be issued upon such exchange is based upon the fair market value of such vested Class B membership interest tendered for exchange divided by the average closing trading price of our common stock for the 20 business days immediately preceding the date of such exchange. On September 25, 2009, we registered 75,000 shares of our common stock with the SEC on a Registration Statement on Form S-8 to be issued, from time to time, upon the exchange of the Class B membership interests.

Pursuant to ASC 718 "Compensation—Stock Compensation," HNS determined that the Class B membership interests had nominal value at the date of grant, and, accordingly, minimal compensation expense was recorded for each of the three months ended March 31, 2011 and 2010.

As of March 31, 2011, we had 3,280 outstanding Class B membership interests, which were fully vested. If the total outstanding Class B membership interests were to convert into our common stock as of March 31, 2011, they could be exchanged for approximately 693,100 shares of our common stock.

LightSquared 1998 Long Term Incentive Plan

In connection with the acquisition of HNS in 2006, the compensation committee of LightSquared, Inc. ("LightSquared") determined that certain holders of stock options issued under the LightSquared 1998 Long Term Incentive Plan (the "LightSquared Plan") would receive options to purchase our common stock, subject to certain terms under the LightSquared Plan, at the date LightSquared separated us into a publicly traded company (the "Distribution"). As of March 31, 2011, we had 57,500 options outstanding to purchase our common stock with a weighted average exercise price of $19.40 per share and an aggregate intrinsic value of $2.3 million.

The fair value of each option, as applicable, was determined on the date of grant, except for shares of restricted stock issued to a consultant. In accordance with ASC 505-50, "Equity-Based Payments to Non-Employees", the fair value of such shares is adjusted at the end of the reporting period, and accordingly, the fair value as of March 31, 2011 was used for determining compensation expense attributable to such shares.

Note 15: Transactions with Related Parties

In the ordinary course of our operations, we enter into transactions with related parties to purchase and/or sell telecommunications services, equipment, and inventory. Related parties include all entities that are controlled by Apollo Management, L.P. and its affiliates (collectively "Apollo"), our controlling stockholder.

Separation Agreement

As part of the Distribution in 2006, LightSquared and the Company entered into a separation agreement (the "Separation Agreement"). Among other things, the Separation Agreement provides for certain indemnifications, tax sharing, consulting services and access to facilities.

Indemnification —The Separation Agreement provides that the Company will indemnify LightSquared against losses based on, arising out of, or resulting from (i) the ownership or the operation of the assets or properties transferred to the Company under the Separation Agreement, and the operation or conduct of the business of, including contracts entered into and any activities engaged in by, the Company, whether in the past or future; (ii) any other activities the Company engages in; (iii) any guaranty or keep well of or by LightSquared provided to any parties with respect to any of the Company's actual or contingent obligations; and (iv) certain other

matters described in the Separation Agreement. The Separation Agreement provides that LightSquared will indemnify the Company against losses based on, arising out of, or resulting from the ownership or operation of the assets or properties of Mobile Satellite Ventures LP ("MSV") and TerreStar Networks, Inc., ("TerreStar") or the operation or conduct of their businesses, including the contracts entered into by them, and certain other matters described in the Separation Agreement.

Tax sharing agreement—The tax sharing agreement governs the allocation between the Company and LightSquared of tax liabilities and related tax matters, such as the preparation and filing of tax returns and tax contests, for all taxable periods ended on or before February 21, 2006. The Company will generally be responsible for, and indemnify LightSquared and its subsidiaries against, all tax liabilities imposed on or attributable to (i) the Company and any of its subsidiaries relating to all taxable periods and (ii) LightSquared and any of its subsidiaries for all taxable periods or portions thereof ending on or prior to a change of control of LightSquared, in each case, after taking into account any tax attributes of LightSquared or any of its subsidiaries that are available to offset such tax liabilities. Notwithstanding the foregoing, the Company is not responsible for any taxes relating to MSV, TerreStar or a change of control of LightSquared. Additionally, under the tax sharing agreement, LightSquared is responsible for, and indemnifies the Company and its subsidiaries against, all tax liabilities imposed on or attributable to MSV and TerreStar relating to all taxable periods, LightSquared and any of its subsidiaries relating to all taxable periods or portions thereof beginning and ending after a change of control, and any change of control of LightSquared.

Hughes Telematics, Inc.

HTI is controlled by an affiliate of Apollo. Jeffrey A. Leddy, a member of HNS' Board of Managers and our Board of Directors, is the Chief Executive Officer and a director of HTI and owns less than 1.5% of HTI's equity as of March 31, 2011. In addition, Andrew Africk and Aaron Stone, members of HNS' Board of Managers and our Board of Directors, are directors of HTI and partners of Apollo.

In July 2006, HNS granted a limited license to HTI allowing HTI to use the HUGHES trademark. The license is limited in that HTI may use the HUGHES trademark only in connection with its business of automotive telematics and only in combination with the TELEMATICS name. As partial consideration for the license, the agreement provides that HNS will be HTI's preferred engineering services provider. The license is royalty-free, except that HTI has agreed to pay a royalty to HNS in the event HTI no longer has a commercial or affiliated relationship with HNS.

In October 2007, HNS entered into an agreement with HTI and a customer of HTI, whereby HNS agreed to assume the rights and performance obligations of HTI in the event that HTI fails to perform its obligations due to a fundamental cause such as bankruptcy or the cessation of its telematics business. In connection with that agreement, HNS and HTI have entered into a letter agreement pursuant to which HTI has agreed to take certain actions to enable HNS to assume HTI's obligations in the event that such action is required. However, as a result of the merger between HTI and Polaris Acquisition Corp in 2009, HNS' obligations to HTI and its customer expired. In January 2008, HNS entered into an agreement with HTI for the development of an automotive telematics system for HTI, comprising the telematics system hub and the Telematics Control Unit ("TCU"), which will serve as the user appliance in the telematics system.

In March 2009, we made an equity investment in HTI, which represented approximately 3.8% of HTI's outstanding common stock as of March 31, 2011 before giving effect to the "earn-out" of the Escrowed shares. If the full earn-out targets are achieved, our investment could represent approximately

3.5% of HTI's outstanding common stock. In addition to the risk and valuation fluctuations associated with the "earn-out" targets, the carrying value of the investment in HTI may be subject to fair value adjustments in future reporting periods.

In August 2009, HTI terminated substantially all of the development, engineering and manufacturing services with HNS as a result of the bankruptcy filing of one of HTI's customers.

On December 18, 2009, HNS entered into a promissory note with HTI (the "Promissory Note") for $8.3 million of account receivables that HTI owed to HNS. The Promissory Note had an amended maturity date of December 31, 2011 and an interest rate of 12% per annum. As of March 31, 2011 and December 31, 2010, the remaining Promissory Note had a balance of $5.5 million and $5.6 million, respectively.

95 West Co., Inc.

In July 2006, HNS entered into an agreement with 95 West Co. and its parent, MLH, pursuant to which 95 West Co. and MLH agreed to provide a series of coordination agreements which allow HNS to operate its SPACEWAY 3 at an orbital position where

such parties have higher-priority rights. Jeffrey A. Leddy, a member of our Board of Directors and HNS' Board of Managers, is the managing director of 95 West Co. and MLH and also owns a small interest in each. Andrew Africk, another member of our Board of Directors and HNS' Board of Managers, is also a director of MLH. As part of the agreement, HNS agreed to pay $9.3 million, in annual installments of $0.3 million in 2006, $0.75 million in each year between 2007 and 2010 and $1.0 million in each year between 2011 and 2016 for the use of the orbital position, subject to conditions in the agreement including HNS' ability to operate SPACEWAY 3. As of March 31, 2011, the remaining debt balance under the capital lease was $4.9 million, which was included in "Capital lease and other" in the short-term and long-term debt tables included in Note 10—Debt.

Smart & Final, Inc.

As of March 31, 2011, Apollo has controlled of Smart & Final, Inc. ("Smart & Final"). Therefore, Smart & Final is indirectly our related party. We provide broadband products and services to Smart & Final.

CKE Restaurants, Inc.

On July 12, 2010, an affiliate of Apollo acquired CKE Restaurants, Inc. ("CKE"). As a result, CKE indirectly became our related party as of that date. We provide broadband products and services to CKE.

Other

Certain members of our Board of Directors and officers serve on the boards of directors of some of our affiliates. In some cases, such directors and officers have received stock-based compensation from such affiliates for their service. In those cases, the amount of stock-based compensation received by the directors and officers is comparable to stock-based compensation awarded to other non-executive members of the affiliates' boards of directors.

Related Party Transactions

Sales and purchase transactions with related parties are as follows (in thousands):

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Sales:		
HTI	$ —	$ 301
Others	244	123
Total sales	$ 244	$ 424

Assets resulting from transactions with related parties are as follows (in thousands):

	March 31, 2011	December 31, 2010
Due from related parties:		
HTI	$ 5,527	$ 5,632
Others	89	159
Total due from related parties	$ 5,616	$ 5,791

Note 16: Segment Data

Set forth below is selected financial information for our operating segments (in thousands). There were no intersegment transactions.

	North America Broadband	International Broadband	Telecom Systems	HTS Satellite	Corporate and Other	Consolidated
As of or For the Three Months Ended March 31, 2011						
Revenues	$ 193,706	$ 51,672	$ 16,692	$ 602	$ 1,420	$ 264,092
Operating income (loss)	$ 21,745	$ (738)	$ (316)	$ (1,304)	$ (4,467)	$ 14,920
Depreciation and amortization	$ 32,792	$ 3,750	$ 820	$ —	$ 139	$ 37,501
Assets	$ 635,871	$ 187,843	$ 45,790	$ 308,731	$ 205,812	$ 1,384,047
Capital expenditures(1)	$ 39,200	$ 1,556	$ 10	$ 60,405	$ 2,850	$ 104,021
As of or For the Three Months Ended March 31, 2010						
Revenues	$ 173,995	$ 43,456	$ 24,692	$ —	$ 1,050	$ 243,193
Operating income (loss)	$ 9,616	$ (1,156)	$ 3,708	$ (858)	$ (746)	$ 10,564
Depreciation and amortization	$ 25,519	$ 3,426	$ 1,024	$ —	$ 164	$ 30,133
Assets	$ 636,622	$ 168,771	$ 45,877	$ 99,515	$ 328,710	$ 1,279,495
Capital expenditures(1)	$ 26,138	$ 4,187	$ 153	$ 32,767	$ 3,592	$ 66,837

(1) Capital expenditures on an accrual basis were $98.9 million and $65.2 million for the three months ended March 31, 2011 and 2010, respectively.

Note 17: Comprehensive Income (Loss)

Comprehensive income (loss) is as follows (in thousands)(1):

	Three Months Ended March 31, 2011	2010
Net income (loss)	$ 685	$ (6,174)
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,645	(729)
Unrealized loss on hedging instruments	(189)	(2,323)
Reclassification of realized loss on hedging instruments	1,404	1,368
Unrealized gain (loss) on available-for-sale securities	1,495	(647)
Total other comprehensive income (loss)	4,355	(2,331)
Comprehensive income (loss)	5,040	(8,505)
Comprehensive (income) loss attributable to the noncontrolling interest	115	(217)
Comprehensive income (loss) attributable to HCI	$ 5,155	$ (8,722)

(1) There is no tax impact for items included in the table since the Company has a full valuation allowance against its net deferred income taxes for all reporting periods.

Note 18: Commitments and Contingencies

Litigation

We are periodically involved in litigation in the ordinary course of our business involving claims regarding intellectual property infringement, product liability, property damage, personal injury, contracts, employment and worker's compensation. We do not believe that there are any such pending or threatened legal proceedings, including ordinary litigation incidental to the conduct of our business and the ownership of our properties that, if adversely determined, would have a material adverse effect on our business, financial condition, results of operations or liquidity.

In October 2008, Hughes Telecommunicaçoes do Brasil Ltda. ("HTB"), a wholly-owned subsidiary of HNS, received a tax assessment of approximately $8.0 million from the State of São Paulo Treasury Department. The tax assessment alleges that HTB failed to pay certain import taxes to the State of São Paulo. We do not believe the assessment is valid and plan to dispute the State of São Paulo's claims and to defend vigorously against these allegations. Recent decrees and legislative actions by the State of São Paulo will alleviate approximately $5.1 million of the tax assessment over time with no impact to the Company. Therefore, we have not recorded a liability. It is the opinion of management that such litigation is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

On May 18, 2009, the Company and HNS received notice of a complaint filed in the U.S. District Court for the Northern District of California by two California subscribers to the HughesNet service. The plaintiffs complain about the speed of the HughesNet service, the Fair Access Policy, early termination fees and certain terms and conditions of the HughesNet subscriber agreement. The plaintiffs seek to pursue their claims as a class action on behalf of other California subscribers. On June 4, 2009, the Company and HNS received notice of a similar complaint filed by another HughesNet subscriber in the Superior Court of San Diego County, California. The plaintiff in this case also seeks to pursue his claims as a class action on behalf of other California subscribers.

Both cases have been consolidated into a single case in the U.S. District Court for the Northern District of California. In January 2011, the Company agreed to settle this consolidated case on a nationwide basis, subject to court approval. As a result, the Company accrued $1.9 million for estimated settlement costs, plaintiffs' attorney fees and other related expenses as of December 31, 2010. In the event that the settlement is not effectuated, the Company would revert to its previous position of vigorously defending these matters as it believes that the allegations in these complaints are not meritorious.

On December 18, 2009, the Company and HNS received notice of a complaint filed in the Cook County, Illinois, Circuit Court by a former subscriber to the HughesNet service. The complaint seeks a declaration allowing the former subscriber to file a class arbitration challenging early termination fees under the subscriber agreement. The Company was dismissed from this case in

September 2010, while HNS remains a defendant. HNS's motion to dismiss, filed in September 2010, is pending, and HNS will continue to vigorously defend the case.

Some or all of the Company, its directors, EchoStar, EchoStar Satellite Services, L.L.C. ("EchoStar LLC"), Broadband Acquisition Corporation ("Merger Sub"), and Apollo Global Management, LLC ("AGM") have been named as defendants in five shareholder class action lawsuits in connection with the proposed transaction in which EchoStar will acquire all of the outstanding equity of the Company. On February 18, 2011, the Gottlieb Family Foundation filed its class action complaint in the Circuit Court for Montgomery County, Maryland. On February 23, 2011, Plymouth County Retirement System filed its shareholder class action complaint, which has since been voluntarily dismissed by the plaintiffs, in the Court of Chancery of the State of Delaware. On February 24, 2011, Edward Ostensoe filed his shareholder class action complaint in the Circuit Court for Montgomery County, Maryland. On February 28, 2011, Nina J. Shah Rohrbasser Irr. Trust filed its shareholder class action complaint in the Court of Chancery of the State of Delaware. On March 8, 2011, entities affiliated with ALJ Capital Management, LLC filed their shareholder class action complaint in the Court of Chancery of the State of Delaware. Each complaint alleges, among other things, that the directors of the Company breached their fiduciary duties in agreeing to the transaction and that some or all of the Company, EchoStar, EchoStar LLC, Merger Sub and AGM aided and abetted such breaches by the directors of the Company. In each case, the plaintiffs seek to enjoin the proposed transaction and/or damages, costs, and attorney fees. On April 28, 2011, the Company, its directors, and AGM entered into a Memorandum of Understanding with the plaintiffs in the Maryland actions that contains the essential terms of a settlement agreed to in principle between the parties (the "Settlement"). The Settlement remains subject to the approval of the court or courts, and contemplates the dismissal with prejudice of all four actions. The Company believes that the allegations in all of these complaints are not meritorious and if necessary, will vigorously contest these actions.

No other material legal proceedings have commenced or been terminated during the period covered by this report.

Commitments

In June 2009, HNS entered into an agreement with SS/L, under which HNS is obligated to pay an aggregate of approximately $252.0 million for the construction of our Jupiter satellite and has agreed to make installment payments to SS/L upon the completion of each milestone set forth in the agreement. As of March 31, 2011, the remaining obligation for the construction and the launch of Jupiter was $164.9 million. We anticipate launching Jupiter in the first half of 2012. In connection with the construction of Jupiter, HNS has entered into a contract with Barrett Xplore Inc. ("Barrett"), whereby Barrett has agreed to lease user beams and purchase gateways and terminals for the Jupiter satellite that are designed to operate in Canada.

We are contingently liable under standby letters of credit and bonds in the aggregate amount of $19.0 million that were undrawn as of March 31, 2011. Of this amount, $4.6 million was issued under the Revolving Credit Facility; $0.7 million was secured by restricted cash; $1.1 million related to insurance bonds; and $12.6 million was issued under credit arrangements available to our foreign subsidiaries. Certain letters of credit issued by our foreign subsidiaries are secured by their assets. As of March 31, 2011, these obligations were scheduled to expire as follows: $7.8 million in 2011; $8.3 million in 2012; $0.5 million in 2013; $0.3 million in 2014; and $2.1 million thereafter.

Note 19: Supplemental Guarantor and Non-Guarantor Financial Information

In lieu of providing separate unaudited financial statements of HNS, the Co-Issuer and HNS' guarantor subsidiaries, condensed financial statements prepared in accordance with Rule 3-10 and Rule 5-04 of Regulation S-X are presented below. The column marked "Parent" represents our results of operations, with the subsidiaries accounted for using the equity method. The column marked "Subsidiary Issuer" represents the results of HNS. The column marked "Guarantor Subsidiaries" includes the results of HNS' guarantor subsidiaries and the Co-Issuer, which is a co-issuer of HNS' Senior Notes and which had no assets, operations, revenues or cash flows for the periods presented. The column marked "Non-Guarantor Subsidiaries" includes the results of non-guarantor subsidiaries of the Company and HNS. Eliminations necessary to arrive at the information for the Company on a consolidated basis for the periods presented are included in the column so labeled. Separate financial statements and other disclosures concerning the Co-Issuer and HNS' Guarantor Subsidiaries are not presented because management has determined that they are not material to investors.

The following represents the supplemental condensed financial statements of the Company, HNS, the Guarantor Subsidiaries and the Non-guarantor Subsidiaries. These condensed financial statements should be read in conjunction with our condensed consolidated financial statements and notes thereto. In 2010, the Company liquidated one of its wholly-owned non-guarantor subsidiaries. As a result, certain prior period items in the following supplemental condensed financial statements have been reclassified to conform to the current period presentation.

Condensed Consolidated Balance Sheet as of March 31, 2011
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Cash and cash equivalents	$ 72,186	$ 33,091	$ 144	$ 11,493	$ —	$ 116,914
Marketable securities	20,993	2,679	—	—	—	23,672
Receivables, net	11,856	138,217	72	61,849	(28,637)	183,357
Inventories	—	47,337	—	12,290	—	59,627
Prepaid expenses and other	81	8,862	71	17,817	(37)	26,794
Total current assets	105,116	230,186	287	103,449	(28,674)	410,364
Property, net	—	776,370	33,497	27,734	—	837,601
Investment in subsidiaries	229,461	118,600	—	—	(348,061)	—
Other assets	8,363	99,729	135	30,541	(2,686)	136,082
Total assets	$ 342,940	$ 1,224,885	$ 33,919	$ 161,724	$ (379,421)	$ 1,384,047
Liabilities and equity						
Accounts payable	$ 3,313	$ 77,347	$ 123	$ 37,717	$ (20,941)	$ 97,559
Short-term debt	—	1,304	—	3,396	—	4,700
Accrued liabilities and other	1,263	135,690	—	22,503	(7,696)	151,760
Total current liabilities	4,576	214,341	123	63,616	(28,637)	254,019
Long-term debt	—	753,664	—	2,786	—	756,450
Other long-term liabilities	—	26,764	—	2,723	(2,723)	26,764
Total HCI stockholders' equity	335,965	230,116	25,346	92,599	(348,061)	335,965
Noncontrolling interests	2,399	—	8,450	—	—	10,849
Total liabilities and equity	$ 342,940	$ 1,224,885	$ 33,919	$ 161,724	$ (379,421)	$ 1,384,047

Condensed Consolidated Balance Sheet as of December 31, 2010
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets						
Cash and cash equivalents	$ 56,583	$ 67,707	$ 256	$ 13,585	$ —	$ 138,131
Marketable securities	37,857	6,675	—	—	—	44,532
Receivables, net	9,437	141,422	38	61,067	(25,272)	186,692
Inventories	—	45,388	—	12,431	—	57,819
Prepaid expenses and other	181	9,172	70	16,704	—	26,127
Total current assets	104,058	270,364	364	103,787	(25,272)	453,301
Property, net	—	713,007	32,948	28,097	—	774,052
Investment in subsidiaries	221,665	118,080	—	—	(339,745)	—
Other assets	7,404	98,967	1,405	29,746	(1,700)	135,822
Total assets	$ 333,127	$ 1,200,418	$ 34,717	$ 161,630	$ (366,717)	$ 1,363,175
Liabilities and equity						
Accounts payable	$ 681	$ 101,684	$ 199	$ 36,764	$ (19,126)	$ 120,202
Short-term debt	—	2,284	—	4,001	—	6,285
Accrued liabilities and other	756	109,561	—	24,619	(6,146)	128,790
Total current liabilities	1,437	213,529	199	65,384	(25,272)	255,277
Long-term debt	—	737,677	—	2,899	—	740,576
Other long-term liabilities	—	27,308	—	1,700	(1,700)	27,308
Total HCI stockholders' equity	329,050	221,904	26,194	91,647	(339,745)	329,050
Noncontrolling interests	2,640	—	8,324	—	—	10,964
Total liabilities and equity	$ 333,127	$ 1,200,418	$ 34,717	$ 161,630	$ (366,717)	$ 1,363,175

Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2011
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 205	$ 229,340	$ 362	$ 41,996	$ (7,811)	$ 264,092
Operating costs and expenses:						
Costs of revenues	—	156,842	—	32,487	(7,045)	182,284
Selling, general and administrative	4,305	47,753	835	8,850	(766)	60,977
Research and development	—	5,154	—	—	—	5,154
Amortization of intangible assets	—	682	—	75	—	757
Total operating costs and expenses	4,305	210,431	835	41,412	(7,811)	249,172
Operating income (loss)	(4,100)	18,909	(473)	584	—	14,920
Other income (expense):						
Interest expense	—	(12,324)	—	(227)	46	(12,505)
Interest and other income (loss), net	83	(28)	—	162	(46)	171
Equity in earnings (losses) of subsidiaries	4,769	(1,111)	—	—	(3,658)	—
Income (loss) before income tax expense	752	5,446	(473)	519	(3,658)	2,586
Income tax expense	(131)	(282)	—	(1,488)	—	(1,901)
Net income (loss)	621	5,164	(473)	(969)	(3,658)	685
Net (income) loss attributable to noncontrolling interests	217	—	(375)	311	—	153
Net income (loss) attributable to HCI stockholders	$ 838	$ 5,164	$ (848)	$ (658)	$ (3,658)	$ 838

Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2010
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenues	$ 251	$ 212,471	$ 988	$ 35,826	$ (6,343)	$ 243,193
Operating costs and expenses:						
Costs of revenues	—	155,328	306	26,947	(5,982)	176,599
Selling, general and administrative	770	41,086	1,372	7,458	(361)	50,325
Research and development	—	4,460	455	—	—	4,915
Amortization of intangible assets	—	534	168	88	—	790
Total operating costs and expenses	770	201,408	2,301	34,493	(6,343)	232,629
Operating income (loss)	(519)	11,063	(1,313)	1,333	—	10,564
Other income (expense):						
Interest expense	—	(15,793)	—	(348)	31	(16,110)
Interest and other income (loss), net	56	(359)	870	55	(31)	591
Equity in earnings (losses) of subsidiaries	(5,812)	(246)	—	—	6,058	—
Income (loss) before income tax (expense) benefit	(6,275)	(5,335)	(443)	1,040	6,058	(4,955)
Income tax expense	(2)	(227)	(3)	(987)	—	(1,219)
Net income (loss)	(6,277)	(5,562)	(446)	53	6,058	(6,174)
Net (income) loss attributable to noncontrolling interests	137	—	(141)	38	—	34
Net income (loss) attributable to HCI stockholders	$ (6,140)	$ (5,562)	$ (587)	$ 91	$ 6,058	$ (6,140)

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued

Condensed Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2011
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:						
Net income (loss)	$ 621	$ 5,164	$ (473)	$ (969)	$ (3,658)	$ 685
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(1,888)	44,127	1,384	842	3,658	48,123
Net cash provided by (used in) operating activities	(1,267)	49,291	911	(127)	—	48,808
Cash flows from investing activities:						
Change in restricted cash	—	—	—	373	—	373
Purchases of marketable securities	(11,999)	—	—	—	—	(11,999)
Proceeds from sales of marketable securities	28,869	3,999	—	—	—	32,868
Expenditures for property	—	(98,898)	(1,023)	(1,348)	—	(101,269)
Expenditures for capitalized software	—	(2,752)	—	—	—	(2,752)
Proceeds from sales of property	—	—	—	80	—	80
Net cash provided by (used in) investing activities	16,870	(97,651)	(1,023)	(895)	—	(82,699)
Cash flows from financing activities:						
Short-term revolver borrowings	—	—	—	898	—	898
Repayments of revolver borrowings	—	—	—	(945)	—	(945)
Long-term debt borrowings	—	16,490	—	332	—	16,822
Repayment of long-term debt	—	(1,731)	—	(1,025)	—	(2,756)
Debt issuance costs	—	(1,015)	—	—	—	(1,015)
Net cash provided by (used in) financing activities	—	13,744	—	(740)	—	13,004
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(330)	—	(330)
Net increase (decrease) in cash and cash equivalents	15,603	(34,616)	(112)	(2,092)	—	(21,217)
Cash and cash equivalents at beginning of period	56,583	67,707	256	13,585	—	138,131
Cash and cash equivalents at end of period	$ 72,186	$ 33,091	$ 144	$ 11,493	$ —	$ 116,914

HUGHES COMMUNICATIONS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued

Condensed Consolidated Statement of Cash Flows for the Three Months Ended March 31, 2010
(In thousands)
(Unaudited)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash flows from operating activities:						
Net income (loss)	$ (6,277)	$ (5,562)	$ (446)	$ 53	$ 6,058	$ (6,174)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	5,222	18,845	218	549	(6,058)	18,776
Net cash provided by (used in) operating activities	(1,055)	13,283	(228)	602	—	12,602

Cash flows from investing activities:						
Change in restricted cash	—	(1)	—	87	—	86
Purchases of marketable securities	(5,166)	(22,615)	—	—	—	(27,781)
Proceeds from sales of marketable securities	5,000	10,000	—	—	—	15,000
Expenditures for property	—	(59,409)	(642)	(3,620)	—	(63,671)
Expenditures for capitalized software	—	(3,166)	—	—	—	(3,166)
Net cash used in investing activities	(166)	(75,191)	(642)	(3,533)	—	(79,532)
Cash flows from financing activities:						
Short-term revolver borrowings	—	—	—	1,999	—	1,999
Repayments of revoler borrowings	—	—	—	(2,430)	—	(2,430)
Long-term debt borrowings	—	550	—	670	—	1,220
Repayment of long-term debt	—	(443)	—	(1,278)	—	(1,721)
Debt issuance costs	—	(1,742)	—	—	—	(1,742)
Net cash provided by financing activities	—	(1,635)	—	(1,039)	—	(2,674)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1,739	—	1,739
Net increase (decrease) in cash and cash equivalents	(1,221)	(63,543)	(870)	(2,231)	—	(67,865)
Cash and cash equivalents at beginning of period	74,825	173,991	1,091	11,131	—	261,038
Cash and cash equivalents at end of period	$ 73,604	$ 110,448	$ 221	$ 8,900	$ —	$ 193,173