EchoStar CORP
Form 10-Q
November 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014.

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 001-33807

EchoStar Corporation

(Exact Name of Registrant as Specified in Its Charter)

Nevada	**26-1232727**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
100 Inverness Terrace East, Englewood, Colorado	**80112-5308**
(Address of Principal Executive Offices)	(Zip Code)

(303) 706-4000

(Registrant s Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

As of October 29, 2014, the Registrant s outstanding common stock consisted of 43,760,541 shares of Class A common stock and 47,687,039 shares of Class B common stock.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, in particular, statements about our estimates, expectations, plans, objectives, strategies, results of operations and financial condition, expected impact of regulatory developments and legal proceedings, opportunities in our industries and businesses and other trends and projections for the next fiscal quarter and beyond. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements may also be identified by words such as anticipate, intend, plan, goal, seek, believe, estimate, predict, continue, future, will, would, could, can, may and similar terms. These forward-looking statements are based on informatio to us as of the date of this Quarterly Report on Form 10-Q and represent management s current views and assumptions. Forward-looking statements are not guarantees of future performance, events or results and involve potential known and unknown risks, uncertainties and other factors, many of which may be beyond our control and may pose a risk to our operating and financial condition. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors including, but not limited to:

- our reliance on our primary customer, DISH Network Corporation (DISH Network), for a significant portion of our revenue;

- the impact of variable demand and the adverse pricing environment for digital set-top boxes;

- dependence on our ability to successfully manufacture and sell our digital set-top boxes in increasing volumes on a cost-effective basis and with acceptable quality;

- our ability to bring advanced technologies to market to keep pace with our competitors;

- significant risks related to the construction, launch and operation of our satellites, such as the risk of material malfunction on one or more of our satellites, changes in the space weather environment that could interfere with the operation of our satellites, and our general lack of commercial insurance coverage on our satellites;

- uncertainty in global economic conditions, which may, among other things, cause consumers and enterprise customers to defer purchases;

- the failure to adequately anticipate the need for satellite capacity or the inability to obtain satellite capacity for our Hughes segment; and

- the failure of third-party providers of components, manufacturing, installation services and customer support services to appropriately deliver the contracted goods or services.

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

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements, except as required by federal securities laws.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

(Unaudited)

	As of September 30, 2014	As of December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 760,391	$ 634,119
Marketable investment securities	1,019,247	986,533
Trade accounts receivable, net of allowance for doubtful accounts of $14,649 and $13,237, respectively	183,468	159,292
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	303,391	355,135
Inventory	68,582	66,084
Prepaid expenses	56,898	55,400
Deferred tax assets	70,150	69,633
Other current assets	9,838	29,930
Total current assets	2,471,965	2,356,126
Noncurrent Assets:		
Restricted cash and marketable investment securities	19,095	16,137
Property and equipment, net of accumulated depreciation of $2,804,862 and $2,499,889, respectively	3,080,911	2,546,377
Regulatory authorizations, net	573,337	583,900
Goodwill	510,630	504,173
Other intangible assets, net	214,042	262,039
Other investments	167,518	169,771
Other receivable - DISH Network	90,632	89,811
Other noncurrent assets, net	184,551	173,629
Total noncurrent assets	4,840,716	4,345,837
Total assets	$ 7,312,681	$ 6,701,963
Liabilities and Stockholders Equity		
Current Liabilities:		
Trade accounts payable	$ 231,832	$ 201,416
Trade accounts payable - DISH Network	45,717	55,743
Current portion of long-term debt and capital lease obligations	44,539	69,791
Deferred revenue and prepayments	73,431	57,592
Accrued compensation	32,764	30,940
Accrued royalties	23,361	24,010
Accrued interest	43,783	7,838
Accrued expenses and other	121,293	111,115

Total current liabilities		616,720		558,445
Noncurrent Liabilities:				
Long-term debt and capital lease obligations, net of current portion		2,332,730		2,352,597
Deferred tax liabilities		658,184		488,206
Other noncurrent liabilities		106,634		76,484
Total noncurrent liabilities		3,097,548		2,917,287
Total liabilities		3,714,268		3,475,732
Commitments and Contingencies (Note 14)				
Stockholders Equity:				
Preferred Stock, $.001 par value, 20,000,000 shares authorized:				
Hughes Retail Preferred Tracking Stock, $.001 par value, 13,000,000 shares authorized, 6,290,499 issued and outstanding and zero shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively		6		
Common Stock, $.001 par value, 4,000,000,000 shares authorized:				
Class A common stock, $.001 par value, 1,600,000,000 shares authorized, 49,286,776 shares issued and 43,754,458 shares outstanding at September 30, 2014 and 48,370,956 shares issued and 42,838,638 shares outstanding at December 31, 2013		49		48
Class B common stock, $.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of September 30, 2014 and December 31, 2013		48		48
Class C common stock, $.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of September 30, 2014 and December 31, 2013				
Class D common stock, $.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of September 30, 2014 and December 31, 2013				
Additional paid-in capital		3,707,487		3,502,005
Accumulated other comprehensive loss		(35,258)		(14,655)
Accumulated deficit		(68,887)		(171,914)
Treasury stock, at cost		(98,162)		(98,162)
Total EchoStar stockholders equity		3,505,283		3,217,370
Noncontrolling interest in HSS Tracking Stock		83,122		
Other noncontrolling interests		10,008		8,861
Total stockholders equity		3,598,413		3,226,231
Total liabilities and stockholders equity	$	7,312,681	$	6,701,963

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

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ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue:				
Equipment revenue - DISH Network	$ 299,050	$ 360,744	$ 907,466	$ 1,003,612
Equipment revenue - other	101,927	77,084	265,890	270,049
Services and other revenue - DISH Network	215,935	163,067	609,552	457,055
Services and other revenue - other	278,928	248,013	818,783	743,649
Total revenue	895,840	848,908	2,601,691	2,474,365
Costs and Expenses:				
Cost of sales - equipment (exclusive of depreciation and amortization)	340,159	378,665	998,205	1,097,557
Cost of sales - services and other (exclusive of depreciation and amortization)	212,298	203,268	626,660	571,892
Selling, general and administrative expenses	93,127	84,299	271,251	268,861
Research and development expenses	15,685	17,030	44,841	50,878
Depreciation and amortization	142,294	124,742	416,167	379,585
Impairment of long-lived asset				34,664
Total costs and expenses	803,563	808,004	2,357,124	2,403,437
Operating income	92,277	40,904	244,567	70,928
Other Income (Expense):				
Interest income	2,270	2,982	7,015	6,941
Interest expense, net of amounts capitalized	(41,688)	(47,713)	(132,419)	(145,485)
Realized gains (losses) on marketable investment securities and other investments (includes reclassification of realized (gains) losses on available-for-sale (AFS) securities out of accumulated other comprehensive loss of $27, ($1,754), ($7) and ($36,252), respectively), net	(27)	1,754	7	39,184
Equity in earnings (losses) of unconsolidated affiliates, net	13,198	726	10,137	(5,656)
Other, net	(1,485)	295	(1,050)	5,423
Total other expense, net	(27,732)	(41,956)	(116,310)	(99,593)
Income (loss) before income taxes	64,545	(1,052)	128,257	(28,665)
Income tax benefit (provision), net	(6,108)	5,689	(28,176)	27,217
Net income (loss)	58,437	4,637	100,081	(1,448)
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(2,106)		(4,049)	
Less: Net income attributable to other noncontrolling interests	375	317	1,103	533
Net income (loss) attributable to EchoStar	60,168	4,320	103,027	(1,981)
Less: Net loss attributable to Hughes Retail Preferred Tracking Stock (Note 2)	(3,887)		(7,474)	

Net income (loss) attributable to EchoStar common stock	$	64,055	$	4,320	$	110,501	$	(1,981)
Weighted-average common shares outstanding - Class A and B common stock:								
Basic		91,358		89,868		91,050		89,081
Diluted		92,971		91,266		92,723		89,081
Earnings per share - Class A and B common stock:								
Basic	$	0.70	$	0.05	$	1.21	$	(0.02)
Diluted	$	0.69	$	0.05	$	1.19	$	(0.02)
Comprehensive Income (Loss)								
Net income (loss)	$	58,437	$	4,637	$	100,081	$	(1,448)
Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustments		(18,783)		(1,232)		(11,068)		(12,541)
Unrealized gains (losses) on AFS securities and other		(6,981)		(848)		(9,484)		13,816
Recognition of previously unrealized (gains) losses on AFS securities in net income (loss).		27		(1,754)		(7)		(36,252)
Total other comprehensive loss, net of tax		(25,737)		(3,834)		(20,559)		(34,977)
Comprehensive income (loss)		32,700		803		79,522		(36,425)
Less: Comprehensive loss attributable to noncontrolling interest in HSS Tracking Stock		(2,106)				(4,049)		
Less: Comprehensive income (loss) attributable to other noncontrolling interests		171		(36)		1,147		(444)
Comprehensive income (loss) attributable to EchoStar	$	34,635	$	839	$	82,424	$	(35,981)

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

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ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In thousands)

(Unaudited)

	Hughes Retail Preferred Tracking Stock	**Class A and B Common Stock**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Accumulated Deficit**	**Treasury Stock**	**Noncontrolling Interest in HSS Tracking Stock**	**Other Noncontrolling Interests**	**Total**
Balance, December 31, 2012	$	$ 93	$ 3,394,646	$ 18,752	$ (174,439)	$ (98,162)	$	$ 9,337	$ 3,150,227
Issuances of Class A common stock:									
Exercise of stock options		3	52,512						52,515
Employee benefits			4,761						4,761
Employee Stock Purchase Plan			6,860						6,860
Stock-based compensation			13,988						13,988
Other, net			332					(467)	(135)
Net income (loss)					(1,981)			533	(1,448)
Unrealized losses on AFS securities, net and other				(22,436)					(22,436)
Foreign currency translation adjustment				(11,564)				(977)	(12,541)
Balance, September 30, 2013	$	$ 96	$ 3,473,099	$ (15,248)	$ (176,420)	$ (98,162)	$	$ 8,426	$ 3,191,791
Balance, December 31, 2013	$	$ 96	$ 3,502,005	$ (14,655)	$ (171,914)	$ (98,162)	$	$ 8,861	$ 3,226,231
Issuances of Class A common stock:									
Exercise of stock options		1	$ 11,665						11,666
Employee benefits			10,310						10,310
Employee Stock Purchase Plan			9,012						9,012
Stock-based compensation			10,648						10,648
Issuance of Hughes Retail Preferred Tracking Stock (Note 2)	6		163,510				87,171		250,687
DISH Digital exchange (Note 6)			8,843						8,843
Other, net			(8,506)						(8,506)
Net income (loss)					103,027		(4,049)	1,103	100,081
Unrealized losses on AFS securities, net and other				(9,491)					(9,491)
Foreign currency translation adjustment				(11,112)				44	(11,068)

Balance, September 30, 2014	$ 6	$ 97	$ 3,707,487	$ (35,258)	$ (68,887)	$ (98,162)	$ 83,122	$ 10,008	$ 3,598,413

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

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ECHOSTAR CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Nine Months Ended September 30, 2014	2013
Cash Flows from Operating Activities:		
Net income (loss)	$ 100,081	$ (1,448)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	416,167	379,585
Equity in (earnings) losses of unconsolidated affiliates, net	(10,137)	5,656
Realized gains on marketable investment securities and other investments, net	(7)	(39,184)
Impairment of long-lived asset		34,664
Stock-based compensation	10,648	13,988
Deferred tax provision (benefit)	18,773	(32,823)
Changes in current assets and current liabilities, net	110,671	19,972
Changes in noncurrent assets and noncurrent liabilities, net	(10,170)	(11,866)
Other, net	26,408	22,800
Net cash flows from operating activities	662,434	391,344
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(920,672)	(745,822)
Sales and maturities of marketable investment securities	891,917	680,789
Purchases of property and equipment	(434,428)	(264,843)
Changes in restricted cash and marketable investment securities	(2,958)	14,094
Capital contribution to DISH Digital	(18,569)	
Transfer of regulatory authorization to DISH Network		23,148
Purchase of strategic investments	(29)	(7,357)
Other, net	(15,391)	(9,245)
Net cash flows from investing activities	(500,130)	(309,236)
Cash Flows from Financing Activities:		
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	20,678	59,375
Repayment of long-term debt and capital lease obligations	(52,763)	(56,413)
Net proceeds from issuance of Tracking Stock (Note 2)	7,526	
Other	(9,752)	1,339
Net cash flows from financing activities	(34,311)	4,301
Effect of exchange rates on cash and cash equivalents	(1,721)	3,333
Net increase in cash and cash equivalents	126,272	89,742
Cash and cash equivalents, beginning of period	634,119	731,614
Cash and cash equivalents, end of period	$ 760,391	$ 821,356
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest (including capitalized interest)	$ 106,268	$ 110,456
Capitalized interest	$ 14,670	$ 1,727
Cash paid for income taxes	$ 11,610	$ 9,747
Employee benefits paid in Class A common stock	$ 10,310	$ 4,761
Satellites and other assets financed under capital lease obligations	$ 2,947	$ 5,219
Capitalized in-orbit incentive obligations	$	$ 18,000

Reduction of capital lease obligation for AMC-16	$		$	6,694
Increase (decrease) in capital expenditures included in accounts payable, net	$	3,805	$	(7,214)
Net assets transferred from DISH Network in exchange for Tracking Stock (Note 2)	$	398,095	$	
Assets received from DISH Digital (Note 6)	$	34,075	$	

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

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ECHOSTAR CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Organization and Business Activities

Principal Business

EchoStar Corporation (together with its subsidiaries is referred to as EchoStar, the Company, we, us and/or our) is a holding company that w organized in October 2007 as a corporation under the laws of the State of Nevada. We are a global provider of satellite operations, video delivery solutions, digital set-top boxes, and broadband satellite technologies and services for home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. Our Class A common stock is publicly traded on the Nasdaq Global Select Market under the symbol SATS.

We currently operate in three business segments.

- ***EchoStar Technologies (ETC)*** which designs, develops and distributes digital set-top boxes and related products and technology, primarily for satellite TV service providers, telecommunication companies and international cable companies. Our EchoStar Technologies segment also provides digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management, and other services, primarily to DISH Network Corporation and its subsidiaries (DISH Network). In addition, we provide our Slingboxes directly to consumers via retail outlets and online.

- ***Hughes*** which provides satellite broadband internet access to North American consumers and broadband network services and equipment to domestic and international enterprise markets. The Hughes segment also provides managed services to large enterprises and solutions to customers for mobile satellite systems.

- ***EchoStar Satellite Services (ESS)*** which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite services on a full-time and occasional-use basis primarily to DISH Network and also to Dish Mexico, S. de R.L. de C.V. (Dish Mexico), a joint venture that we entered into in 2008, as well as to United States (U.S.) government service providers, state agencies, internet service providers, broadcast news organizations, programmers, and private enterprise customers.

In 2008, DISH Network completed its distribution to us of its digital set-top box business and certain infrastructure and other assets, including certain of their satellites, uplink and satellite transmission assets, real estate, and other assets and related liabilities (the Spin-off). Since the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies. However, as a result of the Satellite and Tracking

Stock Transaction, described in Note 2 below, DISH Network owns shares of our preferred tracking stock representing an aggregate 80.0% economic interest in the residential retail satellite broadband business of our Hughes segment. In addition, a substantial majority of the voting power of the shares of DISH Network and EchoStar is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

Note 2. Hughes Retail Preferred Tracking Stock

Satellite and Tracking Stock Transaction

On February 20, 2014, EchoStar entered into agreements with certain subsidiaries of DISH Network pursuant to which, effective March 1, 2014, (i) EchoStar issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the EchoStar Tracking Stock) and Hughes Satellite Systems Corporation (HSS), a subsidiary of EchoStar, also issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the HSS Tracking Stock and together with the EchoStar Tracking Stock, the Tracking Stock) to DISH Network in exchange for five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV) (including the assumption of related in-orbit incentive obligations) and $11.4 million in cash and (ii) DISH Network began receiving certain satellite services on these five satellites from us (the Satellite and Tracking Stock Transaction). The Tracking

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Stock tracks the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the Hughes Retail Group or HRG).

EchoStar and HSS have adopted policy statements (the Policy Statements) setting forth management and allocation policies for purposes of attributing all of the business and operations of EchoStar to either the Hughes Retail Group or the EchoStar Group, which is defined as all other operations of EchoStar, including all existing and future businesses, other than the Hughes Retail Group. Among other things, the Policy Statements govern how assets, liabilities, revenue and expenses are attributed or allocated between HRG and the EchoStar Group. Such attributions and allocations generally do not affect the amounts reported in our consolidated financial statements, except for the attribution of stockholders equity and net income or loss between the holders of Tracking Stock and common stock. The Policy Statements also do not significantly affect the way that management assesses operating performance and allocates resources within our Hughes segment.

See Note 9 for information about the five satellites received from DISH Network, Note 14 for information about the assumed in-orbit incentive obligations, and Note 16 for information regarding the related satellite services agreements with DISH Network. We provide unaudited attributed financial information for HRG and the EchoStar Group in an exhibit to our periodic reports on Form 10-Q and Form 10-K. Set forth below is information about certain terms of the Tracking Stock and the initial recording of the Satellite and Tracking Stock Transaction in our consolidated financial statements.

Description of the Tracking Stock

Tracking stock is a type of capital stock that the issuing company intends to reflect or track the economic performance of a particular business component within the company, rather than reflect the economic performance of the company as a whole. The Tracking Stock is intended to track the economic performance of the Hughes Retail Group. The shares of the Tracking Stock issued to DISH Network represent an aggregate 80.0% economic interest in the Hughes Retail Group (51.89% issued as EchoStar Tracking Stock and 28.11% issued as HSS Tracking Stock). In addition to the remaining 20.0% economic interest in the Hughes Retail Group, EchoStar retains all economic interest in the wholesale satellite broadband business and other businesses of EchoStar. The Hughes Retail Group is not a separate legal entity and therefore cannot own assets, issue securities or enter into legally binding agreements. Holders of the Tracking Stock have no direct claim to the assets of the Hughes Retail Group; rather, holders of the Tracking Stock are stockholders of its respective issuer (EchoStar or HSS) and are subject to all risks and liabilities of the issuer. Holders of shares of the Tracking Stock vote with holders of the outstanding shares of common stock of its respective issuer, as a single class, with respect to any and all matters presented to stockholders for their action or consideration. Each share of the Tracking Stock is entitled to one-tenth (1/10th) of one vote. The EchoStar Tracking Stock is a series of preferred stock consisting of 13,000,000 authorized shares with a par value of $0.001 per share, of which 6,290,499 shares were issued to DISH Network on March 1, 2014. The HSS Tracking Stock is a series of HSS preferred stock consisting of 300 authorized shares with a par value of $0.001 per share, of which 81.128 shares were issued to DISH Network on March 1, 2014. Following the issuance of the shares of the EchoStar Tracking Stock and the HSS Tracking Stock, DISH Network held 6.5% and 7.5% of the aggregate number of outstanding shares of EchoStar and HSS capital stock, respectively.

Investor Rights Agreement

In connection with the Satellite and Tracking Stock Transaction, EchoStar, HSS and DISH Network entered into an agreement (the Investor Rights Agreement) setting forth certain rights and obligations of the parties with respect to the Tracking Stock. Among other provisions, the Investor Rights Agreement provides: (i) certain information and consultation rights for DISH Network; (ii) certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfer of the

Tracking Stock until March 1, 2015), with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to us in connection with a change of control of DISH Network and a right to require us to repurchase the Tracking Stock in connection with a change of control of EchoStar, in each case subject to certain terms and conditions; and (iii) certain protective covenants afforded to holders of the Tracking Stock.

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In addition, the Investor Rights Agreement provides that DISH Network may, on or after September 1, 2016, require EchoStar to use its commercially reasonable efforts to register some or all of the outstanding shares of the Tracking Stock under the Securities Act of 1933, subject to certain terms and conditions (including our right, upon the receipt of a demand for registration, to offer to repurchase all of the Tracking Stock). In connection with any demand for registration, DISH Network may require any outstanding shares of the HSS Tracking Stock to be exchanged for shares of the EchoStar Tracking Stock with an equivalent economic interest in the Hughes Retail Group. In the event that a registration of shares of Tracking Stock is effected, EchoStar is required to use its reasonable best efforts to amend the terms of the Tracking Stock so that the Tracking Stock will be convertible or exchangeable for shares of EchoStar Class A Common Stock with equivalent market value.

Initial Recording of the Satellite and Tracking Stock Transaction

EchoStar and DISH Network are entities under common control. In accordance with accounting principles that apply to transfers of assets between entities under common control, EchoStar and HSS recorded the net assets received from DISH Network in the Satellite and Tracking Stock Transaction at their historical carrying amounts as reflected in DISH Network s consolidated financial statements as of February 28, 2014, the day prior to the effective date of the Satellite and Tracking Stock Transaction. DISH Network transferred the EchoStar I, EchoStar VII, and EchoStar X satellites to HSS and transferred the EchoStar XI and EchoStar XIV satellites to EchoStar. The historical carrying amounts of net assets transferred to EchoStar and HSS were as follows:

	EchoStar(1)	HSS	Total
		(In thousands)	
Cash	$	$ 11,404	$ 11,404
Property and equipment, net	349,243	82,837	432,080
Current liabilities	(3,479)	(3,076)	(6,555)
Noncurrent liabilities	(30,121)	(8,713)	(38,834)
Transferred net assets	$ 315,643	$ 82,452	$ 398,095

(1) All of the net assets received by EchoStar as part of the Satellite and Tracking Stock Transaction were immediately transferred to HSS and are being used by our EchoStar Satellite Services segment.

The transferred net assets increased EchoStar stockholders equity and HSS shareholder s equity by amounts that reflect the carrying amounts of net assets that would be distributed to holders of the Tracking Stock and common stock in a hypothetical liquidation, which would be in proportion to the relative market values (as defined in applicable agreements) of each class of stock. The amounts credited to equity were reduced by direct costs of the Tracking Stock issuance and deferred income tax liabilities arising from differences between the financial reporting carrying amounts and the tax bases of the transferred satellites.

The net amounts credited to EchoStar stockholders equity for the EchoStar Tracking Stock (primarily additional paid-in capital) and the noncontrolling interest in the HSS Tracking Stock were as follows:

	EchoStar Stockholders	Noncontrolling Interest	Total

			(In thousands)			
Transferred net assets	$	315,643	$	82,452	$	398,095
Offering costs, net of tax		(2,302)		(610)		(2,912)
Deferred income taxes		(114,525)		(29,971)		(144,496)
Reallocation based on relative liquidation values		(35,300)		35,300		
Net increase in stockholders equity	$	163,516	$	87,171	$	250,687

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Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information and notes required for complete financial statements prepared in accordance with GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling interest and variable interest entities where we are the primary beneficiary. For entities we control but do not wholly-own, we record a noncontrolling interest within stockholders equity for the portion of the entity s equity attributed to the noncontrolling ownership interests. For the noncontrolling interest in the HSS Tracking Stock, we periodically attribute a portion of HSS net income or loss to the noncontrolling interest in HSS Tracking Stock with such portion equal to the economic interest (currently 28.11%) in the Hughes Retail Group represented by the HSS Tracking Stock, as determined in accordance with the Policy Statements and other documents governing the Tracking Stock. We use the equity method to account for investments in entities that we do not control but have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of the investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheets, the reported amounts of revenue and expense for each reporting period, and certain information disclosed in the notes to the condensed consolidated financial statements. Estimates are used in accounting for, among other things, amortization periods of deferred revenue and deferred subscriber acquisition costs, percentage-of-completion related to revenue recognition, allowances for doubtful accounts, allowances for sales returns and rebates, warranty obligations, self-insurance obligations, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of our stock-based compensation plans, fair value of assets and liabilities acquired in business combinations, lease classifications, asset impairments, useful lives and amortization methods of property, equipment and intangible assets, goodwill impairment testing, royalty obligations, and allocations to HRG that affect the periodic determination of net income or loss attributable to the noncontrolling interest in the HSS Tracking Stock. We base our estimates and assumptions on historical experience and on various other factors that we believe to be relevant under the circumstances. Weakened economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. Due to the inherent uncertainty involved in making estimates, actual results may differ from previously estimated amounts, and such differences may be material to our condensed consolidated financial statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period they occur or prospectively if the revised estimate affects future periods.

Fair Value Measurements

We determine fair value based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Market or observable inputs are the preferred source of values, followed by unobservable inputs or assumptions based on hypothetical transactions in the absence of market inputs. We utilize the highest level of inputs available according to the following hierarchy in determining fair value:

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;

- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with reasonably available assumptions made by other participants, therefore requiring assumptions based on the best information available.

Transfers between levels in the fair value hierarchy are considered to occur at the beginning of the quarterly accounting period. There were no transfers between levels for the nine months ended September 30, 2014 or 2013.

As of September 30, 2014 and December 31, 2013, the carrying amount of our cash and cash equivalents, trade accounts receivable, net of allowance for doubtful accounts, accounts payable and accrued liabilities were equal to or approximated fair value due to their short-term nature or proximity to current market rates.

Fair values of our current marketable investment securities are based on a variety of observable market inputs. For our investments in publicly traded equity securities, fair value ordinarily is determined based on a Level 1 measurement that reflects quoted prices for identical securities in active markets. Fair values of our investments in marketable debt securities generally are based on Level 2 measurements, as the markets for debt securities are less active. Trades of identical debt securities on or near the measurement date are considered a strong indication of fair value. Matrix pricing techniques that consider par value, coupon rate, credit quality, maturity and other relevant features also may be used to determine fair value of our investments in marketable debt securities.

Fair values for our publicly traded long-term debt are based on quoted market prices in less active markets and are categorized as Level 2 measurements. The fair values of our privately held debt are Level 2 measurements and are estimated to approximate their carrying amounts based on the proximity of their interest rates to current market rates. See Note 11 for the fair value of our long-term debt. As of September 30, 2014 and December 31, 2013, the fair values of our orbital incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of $86.7 million and $48.4 million, respectively. We use fair value measurements from time-to-time in connection with impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies that typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Capitalized Software Costs

Development costs related to software for internal use and externally marketed software are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Internal use capitalized software costs are included in Property and equipment, net and externally marketed capitalized software costs are included in Other noncurrent assets, net in our Consolidated Balance

Sheets. We conduct software program reviews for externally marketed capitalized software costs at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs are recoverable and to ensure that costs associated with programs that are no longer generating revenue are expensed. As of September 30, 2014 and December 31, 2013, the net carrying amount of externally marketed software was $45.1 million and $31.4 million, respectively. We capitalized $5.1 million and $5.2 million of costs related to development of externally marketed software for the three months ended September 30, 2014 and 2013, respectively, and capitalized $17.6 million and $12.3 million for the nine months ended September 30, 2014 and 2013, respectively. For the three months ended September 30, 2014 and 2013, we recorded $1.9 million and $0.5 million, respectively, of amortization expense relating to our externally marketed software. For the nine months ended September 30, 2014 and 2013, we recorded $3.6 million and $1.1 million, respectively, of amortization expense relating to our externally marketed software.

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New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09). It outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods and may be applied either retrospectively to prior periods or as a cumulative-effect adjustment as of the date of adoption. Early adoption is not permitted. Management has not selected a transition method and is assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

Note 4. Earnings per Share

We present basic earnings per share (EPS) and diluted EPS for our Class A and Class B common stock. The EchoStar Tracking Stock is a participating security that shares in our consolidated earnings and therefore, effective March 1, 2014, the issuance date of the EchoStar Tracking Stock, we apply the two-class method to calculate EPS. Under the two-class method, we allocate net income or loss attributable to EchoStar between common stock and the EchoStar Tracking Stock considering both dividends declared on each class of stock and the participation rights of each class of stock in undistributed earnings. Based on the 51.89% economic interest in the Hughes Retail Group, currently outstanding as the EchoStar Tracking Stock, we allocate undistributed earnings to the EchoStar Tracking Stock based on 51.89% of the attributed net income or loss of the Hughes Retail Group. For the three and nine months ended September 30, 2014, we allocated a net loss of $3.9 million and $7.5 million to the EchoStar Tracking Stock, respectively, reflecting DISH Network s 51.89% economic interest (represented by the EchoStar Tracking Stock) in the net loss of the Hughes Retail Group for the period from the issuance of the EchoStar Tracking Stock on March 1, 2014 to September 30, 2014. Moreover, because the reported amount of Net income (loss) attributable to EchoStar in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) excludes DISH Network s 28.11% economic interest (represented by the HSS Tracking Stock) in the net loss of the Hughes Retail Group (reported as a noncontrolling interest), the amount of consolidated net income or loss allocated to holders of Class A and Class B common stock effectively excludes an aggregate 80.0% interest in the attributed net loss of the Hughes Retail Group.

Basic EPS for our Class A and Class B common stock excludes potential dilution and is computed by dividing Net income (loss) attributable to EchoStar by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if our common stock awards were exercised. The potential dilution from common stock awards was computed using the treasury stock method based on the average market value of our Class A common stock during the period. The calculation of our diluted weighted-average common shares outstanding excluded (i) options to purchase shares of our Class A common stock, whose effect would be anti-dilutive, of 0.8 million and 1.9 million shares for the three months ended September 30, 2014 and 2013, respectively, and 0.8 million and 4,000 shares for the nine months ended September 30, 2014 and 2013, respectively, and (ii) shares of our Class A common stock that are contingently issuable pursuant to our performance based stock incentive plan based upon meeting a company-specific performance measure by March 31, 2015, which was not probable of being achieved as of September 30, 2014, of 0.7 million and 0.7 million shares for the three and nine months ended September 30, 2014 and 2013, respectively.

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The following table presents basic and diluted EPS amounts for all periods and the corresponding weighted-average shares outstanding used in the calculations.

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
	(In thousands, except per share amounts)			
Net income (loss) attributable to EchoStar	$ 60,168	$ 4,320	$ 103,027	$ (1,981)
Net income (loss) attributable to EchoStar Tracking Stock	(3,887)		(7,474)	
Net income (loss) attributable to EchoStar common stock	$ 64,055	$ 4,320	$ 110,501	$ (1,981)
Weighted-average common shares outstanding :				
Class A and B common stock:				
Basic	91,358	89,868	91,050	89,081
Dilutive impact of stock awards outstanding	1,613	1,398	1,673	
Diluted	92,971	91,266	92,723	89,081
Earnings per share:				
Class A and B common stock:				
Basic	$ 0.70	$ 0.05	$ 1.21	$ (0.02)
Diluted	$ 0.69	$ 0.05	$ 1.19	$ (0.02)

Note 5. Other Comprehensive Income (Loss) and Related Tax Effects

We have not recognized any tax effects on foreign currency translation adjustments because they are not expected to result in future taxable income or deductions. We have not recognized any tax effects on unrealized gains or losses on available-for-sale securities because such gains or losses would affect the amount of existing capital loss carryforwards for which the related deferred tax asset has been fully offset by a valuation allowance.

Accumulated other comprehensive loss includes cumulative foreign currency translation losses of $43.2 million and $32.1 million as of September 30, 2014 and December 31, 2013, respectively.

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Note 6. Investment Securities

Our marketable investment securities, restricted cash and cash equivalents, and other investments consisted of the following:

	As of September 30, 2014	As of December 31, 2013
	(In thousands)	
Marketable investment securities current:		
Corporate bonds	$ 899,727	$ 833,791
VRDNs	4,420	34,705
Strategic equity securities	35,600	33,613
Other	79,500	84,424
Total marketable investment securities current	1,019,247	986,533
Restricted marketable investment securities (1)	9,466	7,965
Total	1,028,713	994,498
Restricted cash and cash equivalents (1)	9,629	8,172
Other investments noncurrent:		
Cost method	31,174	25,977
Equity method	136,344	143,794
Total other investments noncurrent	167,518	169,771
Total marketable investment securities, restricted cash and cash equivalents, and other investments	$ 1,205,860	$ 1,172,441

(1) Restricted marketable investment securities and restricted cash and cash equivalents are included in Restricted cash and marketable investment securities in our Condensed Consolidated Balance Sheets.

Marketable Investment Securities

Our marketable investment securities portfolio consists of various debt and equity instruments, all of which are classified as available-for-sale.

Corporate Bonds

Our corporate bond portfolio includes debt instruments issued by individual corporations, primarily in the industrial and financial services industries.

Variable Rate Demand Notes (VRDNs)

VRDNs are long-term floating rate bonds with embedded put options that allow the bondholder to sell the security at par plus accrued interest. All of the put options are secured by a pledged liquidity source. Our VRDN portfolio is comprised of investments in municipalities and corporations, which are backed by financial institutions or other highly rated companies that serve as the pledged liquidity source. While they are classified as marketable investment securities, the put option allows VRDNs to be liquidated generally on a same day or on a five business day settlement basis.

Strategic Equity Securities

Our strategic investment portfolio consists of investments in shares of common stock of public companies, which are highly speculative and have experienced and continue to experience volatility. The value of our investment portfolio depends on the value of such shares of common stock.

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Other

Our other current marketable investment securities portfolio includes investments in various debt instruments, including government bonds.

Restricted Cash and Marketable Investment Securities

As of September 30, 2014 and December 31, 2013, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit or surety bonds.

Other Investments - Noncurrent

We have several strategic investments in certain equity securities that are accounted for using either the equity or the cost method of accounting. Our ability to realize value from our strategic investments in companies that are not publicly traded depends on the success of those companies businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Effective August 1, 2014, we and DISH Digital Holding, L.L.C. (DISH Digital) entered into an exchange agreement (the Exchange Agreement) pursuant to which, we exchanged our one-third voting interest in DISH Digital which we accounted for using the equity method, for a 10.0% non-voting interest in DISH Digital, which we account for using the cost method. As part of this transaction, we received a distribution of certain noncurrent assets associated with an internet protocol television technology business, including property and equipment, technology-related intangible assets and goodwill. Because we and DISH Digital are entities under common control, we recorded the distributed assets at their carrying amounts in DISH Digital s accounts, which totaled $34.1 million at the date of distribution, and we recorded our non-voting interest at $1.1 million, which represents 10.0% of the carrying amount of the remaining equity in DISH Digital. These amounts exceeded the carrying amount of our existing equity method investment by $8.8 million, which was credited to additional paid-in capital because gain recognition generally is precluded by GAAP in exchanges between entities under common control. In connection with our obligations associated with our interest prior to the Exchange Agreement, we contributed $18.6 million in cash to DISH Digital during the third quarter of 2014. We have no obligation to contribute additional capital to DISH Digital. See Note 16 for more information regarding the Exchange Agreement with DISH Digital.

On August 8, 2014, an option providing for an unrelated party to acquire a 51.0% equity interest in Dish Mexico was terminated. Although we have owned 49.0% of the equity of Dish Mexico since its inception in 2008, we accounted for our investment as a 24.0% equity interest using the equity method based on assumed dilution that would occur upon the exercise of the option. Upon termination of the option, we recorded a $10.3 million adjustment to increase Equity in earnings (losses) of unconsolidated affiliates to reflect an increase from 24.0% to 49.0% in our interest in Dish Mexico s inception-to-date net income. For periods subsequent to the date of the termination of the option, we account for our investment in Dish Mexico as a 49.0% equity interest using the equity method.

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Unrealized Gains (Losses) on Marketable Investment Securities

The components of our available-for-sale investments are summarized in the table below.

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
		(In thousands)		
As of September 30, 2014				
Debt securities:				
Corporate bonds	$ 900,093	$ 209	$ (575)	$ 899,727
VRDNs	4,420			4,420
Other (including restricted)	88,962	12	(8)	88,966
Equity securities - strategic	27,247	9,554	(1,201)	35,600
Total marketable investment securities	$ 1,020,722	$ 9,775	$ (1,784)	$ 1,028,713
As of December 31, 2013				
Debt securities:				
Corporate bonds	$ 833,888	$ 227	$ (324)	$ 833,791
VRDNs	34,705			34,705
Other (including restricted)	92,876	14	(501)	92,389
Equity securities - strategic	15,272	18,341		33,613
Total marketable investment securities	$ 976,741	$ 18,582	$ (825)	$ 994,498

As of September 30, 2014, restricted and non-restricted marketable investment securities included debt securities of $724.1 million with contractual maturities of one year or less and $269.0 million with contractual maturities greater than one year. We may realize proceeds from certain investments prior to their contractual maturity as a result of our ability to sell these securities prior to their contractual maturity.

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that our available-for-sale securities have been in an unrealized loss position. We do not intend to sell these securities before they recover or mature, and it is more likely than not that we will hold these securities until they recover or mature. We believe that these changes in the estimated fair values of these securities are primarily related to temporary market conditions.

	As of September 30, 2014		As of December 31, 2013	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
		(In thousands)		
Less than 12 months	$ 582,163	$ (1,784)	$ 571,592	$ (825)
12 months or more	10,000			
Total	$ 592,163	$ (1,784)	$ 571,592	$ (825)

Realized Gains (Losses) on Marketable Investment Securities

We recognized minimal gains from the sales of our available-for-sale marketable investment securities for each of the three and nine months ended September 30, 2014, respectively. For the three and nine months ended September 30, 2013, we recognized gains from the sales of our available-for-sale marketable investment securities of $1.8 million and $36.3 million, respectively. We recognized minimal losses from the sales of our available-for-sale marketable investment securities for each of the three and nine months ended September 30, 2014 and 2013.

Proceeds from sales of our available-for-sale marketable investment securities totaled $36.9 million and $42.3 million for the three and nine months ended September 30, 2014, respectively, and $47.4 million and $142.7 million for the three and nine months ended September 30, 2013, respectively.

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Fair Value Measurements

Our current marketable investment securities are measured at fair value on a recurring basis as summarized in the table below. As of September 30, 2014 and December 31, 2013, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

	As of					
	September 30, 2014			December 31, 2013		
	Total	Level 1	Level 2	Total	Level 1	Level 2
	(In thousands)					
Cash equivalents (including restricted)	$ 658,093	$ 11,791	$ 646,302	$ 548,714	$ 49,338	$ 499,376
Debt securities:						
Corporate bonds	$ 899,727	$	$ 899,727	$ 833,791	$	$ 833,791
VRDNs	4,420		4,420	34,705		34,705
Other (including restricted)	88,966	2,374	86,592	92,389		92,389
Equity securities - strategic	35,600	35,600		33,613	33,613	
Total marketable investment securities	$ 1,028,713	$ 37,974	$ 990,739	$ 994,498	$ 33,613	$ 960,885

Note 7. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of	
	September 30, 2014	December 31, 2013
	(In thousands)	
Trade accounts receivable	$ 183,688	$ 164,900
Contracts in process, net	14,429	7,629
Total trade accounts receivable	198,117	172,529
Allowance for doubtful accounts	(14,649)	(13,237)
Trade accounts receivable - DISH Network	303,391	355,135
Total trade accounts receivable, net	$ 486,859	$ 514,427

As of September 30, 2014 and December 31, 2013, progress billings offset against contracts in process amounted to $1.5 million and $2.6 million, respectively.

Note 8. Inventory

Our inventory consisted of the following:

	As of			
	September 30, 2014		December 31, 2013	
	(In thousands)			
Finished goods	$	52,035	$	50,357
Raw materials		6,828		8,658
Work-in-process		9,719		7,069
Total inventory	$	68,582	$	66,084

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Note 9. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of September 30, 2014	December 31, 2013
		(In thousands)	
Land		$ 42,862	$ 42,850
Buildings and improvements	3-40	380,810	377,208
Furniture, fixtures, equipment and other	1-12	1,213,694	1,157,325
Customer rental equipment	2-4	464,958	374,688
Satellites - owned	2-15	2,381,120	1,949,040
Satellites acquired under capital leases	10-15	935,104	935,104
Construction in progress		467,225	210,051
Total property and equipment		5,885,773	5,046,266
Accumulated depreciation		(2,804,862)	(2,499,889)
Property and equipment, net		$ 3,080,911	$ 2,546,377

As of September 30, 2014, our owned satellites included $432.1 million for the five satellites we received from DISH Network as part of the Satellite and Tracking Stock Transaction discussed in Note 2. This amount represents the net carrying amount of those satellites in DISH Network s consolidated financial statements as of February 28, 2014, the day prior to the effective date of the Satellite and Tracking Stock Transaction. Accumulated depreciation for those satellites as of September 30, 2014 was $27.8 million, representing depreciation expense recognized in our consolidated financial statements for the period subsequent to the effective date of the Satellite and Tracking Stock Transaction.

Construction in progress consisted of the following:

	Segment	As of September 30, 2014	December 31, 2013
		(In thousands)	
Progress amounts for satellite construction, including certain amounts prepaid under satellite service agreements and launch costs:			
EchoStar XIX	Other	$ 268,153	$ 122,070
TerreStar-2/EchoStar XXI	Other	74,931	16,433
EchoStar XXIII	Other	42,780	19,210
EUTELSAT 65 West A	Hughes	18,975	
EchoStar 105/SES-11	ESS	11,692	
Other	Other/ESS	4,440	4,950
Uplinking equipment	ETC/Hughes	27,211	20,793
Other	ETC/Hughes/ESS	19,043	26,595
Construction in progress		$ 467,225	$ 210,051

Depreciation expense associated with our property and equipment consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Satellites	$ 55,643	$ 43,722	$ 158,782	$ 136,795
Furniture, fixtures, equipment and other	30,595	31,323	89,647	96,094
Customer rental equipment	29,892	24,611	86,800	71,691
Buildings and improvements	3,401	3,343	10,344	10,024
Total depreciation expense	$ 119,531	$ 102,999	$ 345,573	$ 314,604

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Satellites

As of September 30, 2014, we utilized 18 of our owned and leased satellites in geosynchronous orbit, approximately 22,300 miles above the equator. Four of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over the terms of the satellite service agreements. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite.

Information for our satellite fleet is presented below.

Satellites	Segment	Launch Date	Nominal Degree Orbital Location (Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 (1)	Hughes	August 2007	95 W	12
EchoStar XVII	Hughes	July 2012	107 W	15
EchoStar I (2)(3)(4)	ESS	December 1995	77 W	
EchoStar III (4)	ESS	October 1997	61.5 W	12
EchoStar VI (4)	ESS	July 2000	96.2 W	12
EchoStar VII (2)(3)	ESS	February 2002	119 W	3
EchoStar VIII (2)	ESS	August 2002	77 W	12
EchoStar XII (2)(5)	ESS	July 2003	61.5 W	2
EchoStar IX (2)	ESS	August 2003	121 W	12
EchoStar X (2)(3)	ESS	February 2006	110 W	7
EchoStar XI (2)(3)	ESS	July 2008	110 W	9
EchoStar XIV (2)(3)	ESS	March 2010	119 W	11
EchoStar XVI (2)	ESS	November 2012	61.5 W	15
EUTELSAT 10A (W2A) (6)	Other	April 2009	10 E	
Leased from Third Parties (7):				
AMC-15	ESS	October 2004	105 W	10
AMC-16	ESS	December 2004	85 W	10
Nimiq 5 (2)	ESS	September 2009	72.7 W	15
QuetzSat-1 (2)	ESS	September 2011	77 W	10

(1) Depreciable life represents the remaining useful life as of the date of the Hughes Acquisition (as defined below).

(2) See Note 16 for further discussion of our transactions with DISH Network.

(3) Depreciable life represents the remaining useful life as of March 1, 2014, the effective date of our receipt of the satellites from DISH Network as part of the Satellite and Tracking Stock Transaction (See Note 2).

(4) Fully depreciated assets.

(5) Depreciable life represents the remaining useful life as of June 30, 2013, the date EchoStar XII was impaired.

(6) The Company acquired the S-band payload on this satellite, which prior to the acquisition in December 2013, experienced an anomaly at the time of the launch. As a result, the S-band payload is not fully operational.

(7) These satellites are accounted for as capital leases and their launch dates represent dates that the satellites were placed into service.

Recent Developments

CMBStar and EchoStar XXIII. In 2008, we suspended construction of the CMBStar satellite. In April 2014, we entered into an agreement with Space Systems Loral, LLC (SSL) for the construction of the EchoStar XXIII satellite, as a high powered Broadcast Satellite Service (BSS) satellite which will use some of the components from the CMBStar satellite. This agreement with SSL superseded and replaced the CMBStar construction contract. EchoStar XXIII is expected to launch in 2016.

EUTELSAT 65 West A. In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil will provide to Hughes Telecomunica ões do Brasil Ltda, our indirect wholly-owned subsidiary, the fixed broadband service on the entire Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. The satellite is scheduled to be placed into service in the second quarter of 2016.

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EchoStar XIX. In February 2012 and September 2013, ViaSat and its subsidiary ViaSat Communications filed lawsuits in the U.S. District Court for the Southern District of California against SSL, the manufacturer of EchoStar XVII and EchoStar XIX. Those cases, to which we were not a party, have settled with no material impact on the design, construction or planned operations of EchoStar XIX.

EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV. As discussed in Note 2, we received five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV) from DISH Network as part of the Satellite and Tracking Stock Transaction. These satellites are BSS communications satellites operating in Ku-band frequencies and DISH Network began receiving certain services from us on these satellites effective March 1, 2014.

EchoStar VIII. In May 2013, DISH Network began receiving satellite services from us on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this service arrangement was converted to a month-to-month service agreement. Both parties have the right to terminate this agreement upon 30 days notice.

EchoStar XV. In May 2013, we began receiving satellite services from DISH Network on EchoStar XV (classified as an operating lease) and relocated the satellite to the 45 degree west longitude orbital location. Effective March 1, 2014, this service arrangement was converted to a month-to-month service agreement. Both parties have the right to terminate this agreement upon 30 days notice. Although we are not required to maintain in-orbit insurance pursuant to our service arrangement with DISH Network for EchoStar XV, we are liable for any damage caused by our use of the satellite and therefore we carry insurance on EchoStar XV.

EchoStar 105/SES-11. In August 2014, we entered into: (i) a construction contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-band, Ku-band and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. (SES) pursuant to which we will transfer the title to the C-band and Ka-band payloads to SES Satellite Leasing Limited at launch and transfer the title to the Ku-band payload to SES following in-orbit testing of the satellite. Additionally, SES will provide to us satellite service on the entire Ku-band payload on EchoStar 105/SES-11 for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. We expect to account for the satellite service we receive from SES on the Ku-band payload as a prepaid capital lease with a term equal to the 15-year estimated life of the satellite.

AMC-15. In August 2014, in connection with the execution of agreements related to EchoStar 105/SES-11, we entered into an agreement with SES to extend our existing agreement for satellite services on certain transponders on AMC-15 through the in-service date of EchoStar 105/SES-11. Such extension will be accounted for as an operating lease with a term commencing upon expiration of the existing capital lease in December 2014.

Satellite Anomalies

Certain of our satellites have experienced anomalies, some of which have had a significant adverse impact on their remaining useful lives and/or the commercial operation of the satellites. There can be no assurance that existing and future anomalies will not further impact the remaining useful life and/or the commercial operation of any of the satellites in our fleet. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We generally do not carry in-orbit insurance on our satellites; therefore, we generally bear the risk of any uninsured in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain launch and in-orbit insurance for SPACEWAY 3, EchoStar XVI, and EchoStar XVII.

We have previously disclosed in our financial statements as of and for the year ended December 31, 2013, anomalies in prior years that affect our in-service owned and leased satellites, including EchoStar III, EchoStar VI, EchoStar VIII, EchoStar XII, and AMC-16. In the third quarter of 2014, AMC-16 experienced further power degradation, however this anomaly did not affect the commercial operation of the satellite. We are not aware of any additional anomalies that have occurred on any of our owned or leased satellites in 2014 as of the date of this report that affected the commercial operation of these satellites. EchoStar III and EchoStar VI are fully depreciated and EchoStar III is being used as an in-orbit spare; accordingly, the prior anomalies affecting these satellites have not had a significant effect on our operating results and cash flows. EchoStar XII has experienced several anomalies, which have resulted in a loss of electrical power. Those anomalies have not had a significant adverse impact on service under the related satellite services agreement with DISH Network for EchoStar XII; however, the anomalies have increased the risk of future transponder failures that could result in reductions in our revenue and require recognition of a satellite impairment loss. See Satellite Impairments below.

The five satellites received from DISH Network pursuant to the Satellite and Tracking Stock Transaction have experienced certain anomalies prior to March 1, 2014, the effective date of the Satellite and Tracking Stock Transaction as described below.

EchoStar I. During the first quarter of 2012, DISH Network determined that EchoStar I experienced a communications receiver anomaly. The communications receivers process signals sent from the uplink center for transmission by the satellite to customers. While this anomaly did not impact commercial operation of the satellite, there can be no assurance that future anomalies will not impact its future commercial operation. EchoStar I was fully depreciated prior to the date of the Satellite and Tracking Stock Transaction.

EchoStar VII. Prior to 2012, EchoStar VII experienced certain thruster failures. During the fourth quarter of 2012, DISH Network determined that EchoStar VII experienced an additional thruster failure. Thrusters control the satellite s location and orientation. While this anomaly did not impact commercial operation of the satellite, there can be no assurance that future anomalies will not reduce its useful life or impact its commercial operation.

EchoStar X. During the second and third quarters of 2010, EchoStar X experienced anomalies which affected seven solar array circuits reducing the number of functional solar array circuits to 17. While these anomalies did not impact commercial operation of the satellite, there can be no assurance that future anomalies will not reduce its useful life or impact its commercial operation.

EchoStar XI. During the first quarter of 2012, DISH Network determined that EchoStar XI experienced solar array anomalies that reduced the total power available for use by the satellite. While these anomalies did not impact commercial operation of the satellite, there can be no assurance that future anomalies will not reduce its useful life or impact its commercial operation.

EchoStar XIV. During the third quarter of 2011 and the first quarter of 2012, DISH Network determined that EchoStar XIV experienced solar array anomalies that reduced the total power available for use by the satellite. While these anomalies did not impact commercial operation of the satellite, there can be no assurance that future anomalies will not reduce its useful life or impact its commercial operation.

We are not aware of any additional anomalies that have occurred on these five satellites since March 1, 2014.

Satellite Impairments

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies discussed above and previously disclosed, may be considered to represent a significant adverse change in the physical condition of a particular satellite. However, based on the redundancy designed within each satellite, certain of these anomalies are not necessarily considered to be significant events that would require a test of recoverability.

EchoStar XII. Prior to 2010, EchoStar XII experienced anomalies resulting in the loss of electrical power available from its solar arrays. In September 2012, November 2012, and January 2013, EchoStar XII experienced additional solar array anomalies, which further reduced the electrical power available to operate EchoStar XII. An engineering analysis completed in the second quarter of 2013 indicated further loss of available electrical power and resulting capacity loss was likely. As a result, we recognized a $34.7 million impairment loss in the second quarter of 2013. Additional solar array anomalies are likely, and if they occur, they will continue to degrade the operational capability of EchoStar XII and could lead to additional impairment charges in the future.

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Note 10. Goodwill and Other Intangible Assets

Goodwill

The excess of the cost of an acquired business over the fair values of net tangible and identifiable intangible assets at the time of the acquisition is recorded as goodwill. Goodwill is assigned to our reporting units of our operating segments and is subject to our annual impairment testing, or more frequently when events or changes in circumstances indicate the fair value of a reporting unit is more likely than not less than its carrying amount.

As of September 30, 2014, approximately $504.2 million of our goodwill was assigned to reporting units of the Hughes segment. Based on our qualitative assessment of impairment of the goodwill assigned to the Hughes segment in the second quarter of 2014, we determined that no further testing of goodwill for impairment was necessary as it was not more likely than not that the fair values of the Hughes segment reporting units were less than the corresponding carrying amounts.

Effective August 1, 2014, we and DISH Digital entered into the Exchange Agreement pursuant to which, among other things, DISH Digital distributed certain assets to us, including an internet protocol television technology business with associated goodwill of $6.5 million. See Notes 6 and 16 for more information regarding the Exchange Agreement with DISH Digital.

Regulatory Authorizations

Regulatory authorizations with finite and indefinite useful lives are as follows:

	As of September 30, 2014	As of December 31, 2013
	(In thousands)	
Finite useful lives:		
Cost	$ 107,484	$ 113,764
Accumulated amortization	(5,804)	(1,521)
Net	101,680	112,243
Indefinite lives	471,657	471,657
Total regulatory authorizations, net	$ 573,337	$ 583,900

Other Intangible Assets

Our other intangible assets, which are subject to amortization, consisted of the following:

	Weighted Average Useful life (in Years)	As of September 30, 2014 Cost	Accumulated Amortization	Carrying Amount	December 31, 2013 Cost	Accumulated Amortization	Carrying Amount
		(In thousands)					
Customer relationships	8	$ 293,932	$ (177,206)	$ 116,726	$ 293,932	$ (152,647)	$ 141,285
Contract-based	10	255,366	(227,342)	28,024	255,366	(204,835)	50,531
Technology-based	7	140,837	(97,080)	43,757	126,272	(83,580)	42,692
Trademark portfolio	20	29,700	(4,950)	24,750	29,700	(3,836)	25,864
Favorable leases	4	4,707	(3,922)	785	4,707	(3,040)	1,667
Total other intangible assets		$ 724,542	$ (510,500)	$ 214,042	$ 709,977	$ (447,938)	$ 262,039

The cost of technology-based intangible assets as of September 30, 2014 includes $14.6 million of intangible assets distributed by DISH Digital to us on August 1, 2014 pursuant to the Exchange Agreement discussed in Notes 6 and 16.

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Amortization expense, including amortization of

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regulatory authorizations with finite lives, was $22.8 million and $21.7 million for the three months ended September 30, 2014 and 2013, respectively, and $70.6 million and $65.0 million for the nine months ended September 30, 2014 and 2013, respectively.

Note 11. Debt and Capital Lease Obligations

The following table summarizes the carrying amounts and fair values of our debt:

	As of			
	September 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
6 1/2% Senior Secured Notes due 2019	$ 1,100,000	$ 1,177,000	$ 1,100,000	$ 1,193,500
7 5/8% Senior Notes due 2021	900,000	983,250	900,000	1,001,250
Other	1,327	1,327	1,588	1,588
Subtotal	2,001,327	$ 2,161,577	2,001,588	$ 2,196,338
Capital lease obligations (1)	375,942		420,800	
Total debt and capital lease obligations	2,377,269		2,422,388	
Less: Current portion	(44,539)		(69,791)	
Long-term portion of debt and capital lease obligations	$ 2,332,730		$ 2,352,597	

(1) Disclosure regarding the fair value of capital lease obligations is not required.

We estimated the fair value of our publicly traded long-term debt using market prices in less active markets (Level 2).

Note 12. Income Taxes

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

Our quarterly tax provision, and our quarterly estimate of our annual effective tax rate, is subject to significant volatility due to several factors, including variability in accurately predicting our pre-tax and taxable income and loss and the mix of jurisdictions to which they relate, income and losses from investments, changes in tax laws and relative changes of expenses or losses for which tax benefits are not recognized. Additionally, our effective tax rate can be more or less volatile based on the amount of pre-tax income. For example, the impact of discrete items and non-deductible expenses on our effective tax rate is greater when our pre-tax income is lower.

Income tax expense was approximately $28.2 million for the nine months ended September 30, 2014 compared to an income tax benefit of $27.2 million for the nine months ended September 30, 2013. Our effective income tax rate was 22.0% for the nine months ended September 30, 2014 on the income tax expense compared to 94.9% for the same period in 2013 on the income tax benefit. The variation in our current year effective tax rate from the U.S. federal statutory rate for the current period was primarily due to changes in our valuation allowance associated with realized and unrealized losses that are capital in nature for tax purposes, research and experimentation tax credits, and a lower state effective tax rate. For the same period in 2013, we recorded an income tax benefit and the variation in our effective tax rate from the U.S. federal statutory rate was primarily due to the decrease of our valuation allowance associated with realized and unrealized losses that are capital in nature for tax purposes, current year research and experimentation tax credits, and reinstatement of the tax credit for 2012, as provided by the American Taxpayer Relief Act enacted on January 2, 2013.

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Note 13. Stock-Based Compensation

We maintain stock incentive plans to attract and retain officers, directors and key employees. Stock awards under these plans include both performance based and non-performance based stock incentives. We granted 100,000 and 315,000 stock options to our employees for the three and nine months ended September 30, 2014, respectively. We granted 450,000 and 1.2 million stock options to our employees for the three and nine months ended September 30, 2013, respectively.

Our stock-based compensation expense was recorded in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
Research and development expenses	$ 585	$ 798	$ 1,760	$ 2,647
Selling, general and administrative expenses	2,885	3,138	8,888	11,341
Total stock-based compensation	$ 3,470	$ 3,936	$ 10,648	$ 13,988

As of September 30, 2014, total unrecognized stock-based compensation cost, net of estimated forfeitures, related to our non-performance based unvested stock awards was $27.2 million.

Note 14. Commitments and Contingencies

Commitments

As of September 30, 2014, our satellite-related obligations were approximately $1.35 billion. Our satellite-related obligations primarily include, payments pursuant to agreements for the construction of the EchoStar XIX, TerreStar-2/EchoStar XXI, EchoStar XXIII, EUTELSAT 65 West A and EchoStar 105/SES-11 satellites, payments pursuant to launch services contracts, executory costs for our capital lease satellites, costs under transponder agreements and in-orbit incentives relating to certain satellites, including certain satellites received from DISH Network as a result of the Satellite and Tracking Stock Transaction.

Contingencies

Separation Agreement

In connection with the Spin-off, we entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, we have assumed certain liabilities that relate to our business, including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, we will only be liable for our acts or omissions following the Spin-off and DISH Network will indemnify us for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network s acts or omissions following the Spin-off.

Litigation

We are involved in a number of legal proceedings (including those described below) concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages, and many of these proceedings seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or an additional loss may have been incurred and to determine if accruals are appropriate. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of the possible loss or range of possible loss can be made. We record an accrual for litigation and other loss contingencies when we determine that a loss is probable and the amount of the loss can be reasonably estimated. Legal fees and other costs of defending litigation are charged to expense as incurred.

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For certain cases described below, management is unable to provide a meaningful estimate of the possible loss or range of possible loss because, among other reasons, (i) the proceedings are in various stages; (ii) damages have not been sought; (iii) damages are unsupported and/or exaggerated in management s opinion; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties are involved (as with many patent-related cases). For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on our financial condition, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

California Institute of Technology

On October 1, 2013, the California Institute of Technology (Caltech) filed suit against two of our indirect wholly-owned subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC, as well as against DISH Network, DISH Network L.L.C., and dishNET Satellite Broadband L.L.C., in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833, each of which is entitled Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes. Caltech appears to assert that encoding data as specified by the DVB-S2 standard infringes each of the asserted patents. In the operative Amended Complaint, served on March 6, 2014, Caltech claims that the HopperTM set-top box that we design and sell to DISH Network, as well as certain of our Hughes segment s satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard. On September 26, 2014, Caltech requested leave to amend its Amended Complaint to add us and our subsidiary, EchoStar Technologies L.L.C. as defendants, as well as to allege that a number of additional set-top boxes infringe the asserted patents. The Court has not yet ruled on that request. Additionally, on November 4, 2014, the court ruled that the patent claims at issue in the suit are directed to patentable subject matter.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to our consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

ClearPlay, Inc.

On March 13, 2014, ClearPlay, Inc. (ClearPlay) filed a complaint against us and our wholly-owned subsidiary, EchoStar Technologies L.L.C., as well as against DISH Network and DISH Network L.L.C. in the United States District Court for the District of Utah. The complaint alleges infringement of United States Patent Nos. 6,898,799, entitled Multimedia Content Navigation and Playback (the 799 patent); 7,526,784, entitled Delivery of Navigation Data for Playback of Audio and Video Content (the 784 patent); 7,543,318, entitled Delivery of Navigation Data for Playback of Audio and Video Content (the 318 patent); 7,577,970, entitled Multimedia Content Navigation and Playback (the 970 patent); and 8,117,282, entitled Media Player Configured to Receive Playback Filters From Alternative Storage Mediums (the 282 patent). ClearPlay alleges that the AutoHop feature in the HopperTM set-top box infringes the asserted patents.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

CRFD Research, Inc. (a subsidiary of Marathon Patent Group, Inc.)

On January 17, 2014, CRFD Research, Inc. (CRFD) filed a complaint against us and our wholly-owned subsidiary, EchoStar Technologies L.L.C., as well as against DISH Network, DISH DBS and DISH Network L.L.C., in United States District Court for the District of Delaware, alleging infringement of United States Patent No. 7,191,233 (the 233 patent). The 233 patent is entitled System for Automated, Mid-Session, User-Directed,

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Device-to-Device Session Transfer System, and relates to transferring an ongoing software session from one device to another. CRFD alleges that certain of our set-top boxes infringe the 233 patent. On the same day, CRFD filed patent infringement complaints against AT&T Inc.; Comcast Corp.; DirecTV; Time Warner Cable Inc.; Cox Communications, Inc.; Level 3 Communications, Inc.; Akamai Technologies, Inc.; Cablevision Systems Corp. and Limelight Networks, Inc. CRFD is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

The Hopper Litigation

On May 24, 2012, DISH Network L.L.C., filed suit in the United States District Court for the Southern District of New York against American Broadcasting Companies, Inc. (ABC), CBS Corporation (CBS), Fox Entertainment Group, Inc., Fox Television Holdings, Inc., Fox Cable Network Services, L.L.C. (collectively, Fox) and NBCUniversal Media, LLC (NBC). The lawsuit seeks a declaratory judgment that DISH Network L.L.C is not infringing any defendant s copyright, or breaching any defendant s retransmission consent agreement, by virtue of the PrimeTime Anytime and AutoHop features in the Hopper set-top boxes we design and sell to DISH Network. A consumer can use the PrimeTime Anytime feature at his or her option, to record certain primetime programs airing on ABC, CBS, Fox, and/or NBC up to every night, and to store those recordings for up to eight days. A consumer can use the AutoHop feature at his or her option, to watch certain recordings the subscriber made with our PrimeTime Anytime feature, commercial-free, if played back at a certain point after the show s original airing.

Later on May 24, 2012, (i) Fox Broadcasting Company, Twentieth Century Fox Film Corp. and Fox Television Holdings, Inc. filed a lawsuit against DISH Network and DISH Network L.L.C. (collectively, DISH) in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature, the AutoHop feature, as well as DISH s use of Sling placeshifting functionality infringe their copyrights and breach their retransmission consent agreements, (ii) NBC Studios LLC, Universal Network Television, LLC, Open 4 Business Productions LLC and NBCUniversal Media, LLC filed a lawsuit against DISH in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature and the AutoHop feature infringe their copyrights, and (iii) CBS Broadcasting Inc., CBS Studios Inc. and Survivor Productions LLC filed a lawsuit against DISH in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature and the AutoHop feature infringe their copyrights.

As a result of certain parties competing counterclaims and venue-related motions brought in both the New York and California actions, and certain networks filing various amended complaints, the claims have proceeded in the following venues: (1) the copyright and contract claims regarding the ABC and CBS parties in New York; and (2) the copyright and contract claims regarding the Fox parties and NBC parties in California.

California Actions. On August 17, 2012, the NBC plaintiffs filed a first amended complaint in their California action adding us and our wholly-owned subsidiary EchoStar Technologies L.L.C. to the NBC litigation, alleging various claims of copyright infringement. We and our subsidiary answered on September 18, 2012.

On September 21, 2012, the United States District Court for the Central District of California heard the Fox plaintiffs motion for a preliminary injunction to enjoin the Hopper set-top box s PrimeTime Anytime and AutoHop features and, on November 7, 2012, entered an order denying the motion. The Fox plaintiffs appealed and on July 24, 2013, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs motion for a preliminary injunction as to the PrimeTime Anytime and AutoHop features. On August 7, 2013, the Fox plaintiffs filed a petition for rehearing and rehearing en banc, which was denied on January 24, 2014. The United States Supreme Court granted the Fox plaintiffs an extension until May 23, 2014 to file a petition for writ of certiorari, but they did not file. As a result, the stay of the NBC plaintiffs action expired. On August 6, 2014, at the request of the parties, the Central District of California granted a further stay of all proceedings in the action brought

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by the NBC plaintiffs, pending a final judgment on all claims in the Fox plaintiffs action. No trial date is currently set on the NBC claims.

In addition, on February 21, 2013, the Fox plaintiffs filed a second motion for preliminary injunction against: (i) DISH Network, seeking to enjoin the Hopper Transfers feature in the second-generation Hopper set-top box, alleging breach of a retransmission consent agreement; and (ii) EchoStar Technologies L.L.C. and DISH Network, seeking to enjoin the Sling placeshifting functionality in the second-generation Hopper set-top box, alleging copyright infringement by both defendants, and breach of the earlier-mentioned retransmission consent agreement by DISH Network. The Fox plaintiffs motion was denied on September 23, 2013. The Fox plaintiffs appealed, and on July 14, 2014, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs motion. On October 17, 2014, the California court heard oral argument on the Fox plaintiffs and our respective motions for summary judgment. The Fox claims are set for trial on February 24, 2015.

New York Actions. On October 9, 2012, the ABC plaintiffs filed copyright counterclaims in the New York action against EchoStar Technologies, L.L.C., with the CBS plaintiffs filing similar copyright counterclaims in the New York action against EchoStar Technologies L.L.C. on October 12, 2012. Additionally, the CBS plaintiffs have filed a counterclaim alleging that DISH Network fraudulently concealed the AutoHop feature when negotiating renewal of its CBS retransmission consent agreement.

On November 23, 2012, the ABC plaintiffs filed a motion for a preliminary injunction to enjoin the Hopper set-top box s PrimeTime Anytime and AutoHop features. On September 18, 2013, the New York court denied that motion. The ABC plaintiffs appealed, and oral argument on the appeal was heard on February 20, 2014 before the United States Court of Appeals for the Second Circuit. Pursuant to a settlement between us and the ABC parties, on March 4, 2014, the ABC parties withdrew their appeal to the United States Court of Appeals for the Second Circuit, and, on March 6, 2014, we and the ABC parties dismissed without prejudice all of our respective claims pending in the United States District Court for the Southern District of New York. The CBS claims in the New York action are set to be trial-ready on May 29, 2015.

We intend to vigorously prosecute and defend our position in these cases. In the event that a court ultimately determines that we infringe the asserted copyrights, we may be subject to substantial damages, and/or an injunction that could require us to materially modify certain features that we currently offer to DISH Network. An adverse decision against DISH Network could decrease the number of Sling enabled set-top boxes we sell to DISH Network, which could have an adverse impact on the business operations of our EchoStar Technologies segment. In addition, to the extent that DISH Network experiences fewer gross new subscriber additions, sales of our digital set-top boxes and related components to DISH Network may further decline, which in turn could have a material adverse effect on our financial position and results of operations. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

LightSquared/Harbinger Capital Partners LLC (LightSquared Bankruptcy)

On August 6, 2013, Harbinger Capital Partners LLC and other affiliates of Harbinger (collectively, Harbinger), a shareholder of LightSquared Inc., filed an adversary proceeding against us, DISH Network, L-Band Acquisition, LLC (LBAC), Charles W. Ergen (our Chairman), SP Special Opportunities, LLC (SPSO) (an entity controlled by Mr. Ergen), and certain other parties, in the LightSquared bankruptcy cases pending in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court), which cases are jointly administered under the caption In re LightSquared Inc., et. al., Case No. 12 12080 (SCC). Harbinger alleged, among other things, claims based on fraud, unfair competition, civil conspiracy and tortious interference with prospective economic advantage related to certain purchases of LightSquared secured debt by SPSO. Subsequently, LightSquared intervened to join in certain claims alleged against certain defendants other than us, DISH Network and LBAC.

On October 29, 2013, the Bankruptcy Court dismissed all of the claims against us in Harbinger s complaint in their entirety, but granted leave for LightSquared to file its own complaint in intervention. On November 15, 2013, LightSquared filed its complaint, which included various claims against us, DISH Network, Mr. Ergen and SPSO. On December 2, 2013, Harbinger filed an amended complaint, asserting various claims against SPSO. On December 12, 2013, the Bankruptcy Court dismissed several of the claims asserted by LightSquared and Harbinger.

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The surviving claims included, among others, LightSquared s claims against SPSO for declaratory relief, breach of contract and statutory disallowance; LightSquared s tortious interference claim against us, DISH Network and Mr. Ergen; and Harbinger s claim against SPSO for statutory disallowance. These claims proceeded to a non-jury trial on January 9, 2014, which concluded on January 17, 2014. The parties submitted post-trial briefs and a hearing for closing arguments occurred on March 17, 2014. In its Post-Trial Findings of Fact and Conclusions of Law entered on June 10, 2014, the Bankruptcy Court rejected all claims against us and DISH Network, and it rejected some but not all claims against the other defendants.

We intend to vigorously defend this proceeding and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

Nazomi Communications, Inc.

On February 10, 2010, Nazomi Communications, Inc. (Nazomi) filed suit against Sling Media, Inc. (Sling), our indirect wholly owned subsidiary, as well as Nokia Corp; Nokia Inc.; Microsoft Corp.; Amazon.com Inc.; Western Digital Corp.; Western Digital Technologies, Inc.; Garmin Ltd.; Garmin Corp.; Garmin International, Inc.; Garmin USA, Inc.; Vizio Inc. and iOmega Corp in the United States District Court for the Central District of California alleging infringement of United States Patent No. 7,080,362 (the 362 patent) and United States Patent No. 7,225,436 (the 436 patent). The 362 patent and the 436 patent relate to Java hardware acceleration. On August 14, 2012, the United States District Court for the Northern District of California, to which the case had earlier been transferred, granted Sling s motion for summary judgment of non-infringement. On January 10, 2014, the United States Court of Appeals for the Federal Circuit affirmed the District Court s grant of summary judgment, and the matter is now concluded.

Network Acceleration Technologies, LLC

On November 30, 2012, Network Acceleration Technologies, LLC (NAT) filed suit against Hughes Network Systems, LLC, our subsidiary, in the United States District Court for the District of Delaware alleging infringement of United States Patent No. 6,091,710 (the 710 patent), which is entitled System and Method for Preventing Data Slow Down Over Asymmetric Data Transmission Links. NAT re-filed its case on July 19, 2013. NAT is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On May 22, 2014, NAT filed a stipulation dismissing the litigation without prejudice and the matter is now concluded.

Personalized Media Communications, Inc.

During 2008, Personalized Media Communications, Inc. (PMC) filed suit against EchoStar Corporation, DISH Network and Motorola Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 5,109,414; 4,965,825; 5,233,654; 5,335,277; and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Subsequently, Motorola Inc. settled with PMC, leaving DISH Network and us as defendants. On July 18, 2012, pursuant to a Court order, PMC filed a Second Amended Complaint that

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added Rovi Guides, Inc. (f/k/a/ Gemstar-TV Guide International, Inc.) and TVG-PMC, Inc. (collectively, Gemstar) as a party, and added a new claim against all defendants seeking a declaratory judgment as to the scope of Gemstar s license to the patents in suit, under which DISH Network and we are sublicensees. On August 12, 2014, in response to the parties respective summary judgment motions related to the Gemstar license issues, the Court ruled in favor of PMC and dismissed all claims by or against Gemstar and entered partial final judgment in PMC s favor as to those claims. On September 16, 2014, we and DISH Network filed a notice of appeal of that partial final judgment, which is pending. A trial date is set for January 12, 2015. PMC has informed us that it will not pursue at trial its claim for infringement of United States Patent No. 5,109,414. PMC s damages expert contends that we and DISH Network are liable for damages ranging from approximately $500 million to $650 million as of March 31, 2012, which excludes pre-judgment interest and may be trebled under Federal law.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe any of the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could cause us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Shareholder Derivative Litigation

On December 5, 2012, Greg Jacobi, derivatively on behalf of EchoStar Corporation, filed suit (the Jacobi Litigation) against Charles W. Ergen, Michael T. Dugan, R. Stanton Dodge, Tom A. Ortolf, C. Michael Schroeder, Joseph P. Clayton, David K. Moskowitz, and EchoStar Corporation in the United States District Court for the District of Nevada. The complaint alleges that a March 2011 attempted grant of 1.5 million stock options to Charles Ergen breached defendants fiduciary duties, resulted in unjust enrichment, and constituted a waste of corporate assets.

On December 18, 2012, Chester County Employees Retirement Fund, derivatively on behalf of EchoStar Corporation, filed a suit (the Chester County Litigation) against Charles W. Ergen, Michael T. Dugan, R. Stanton Dodge, Tom A. Ortolf, C. Michael Schroeder, Anthony M. Federico, Pradman P. Kaul, Joseph P. Clayton, and EchoStar Corporation in the United States District Court for the District of Colorado. The complaint similarly alleges that the March 2011 attempted grant of 1.5 million stock options to Charles Ergen breached defendants fiduciary duties, resulted in unjust enrichment, and constituted a waste of corporate assets.

On February 22, 2013, the Chester County Litigation was transferred to the District of Nevada, and on April 3, 2013, the Chester County Litigation was consolidated into the Jacobi Litigation. Oral argument on a motion to dismiss the Jacobi Litigation was held February 21, 2014. On April 11, 2014, the Chester County litigation was stayed pending resolution of the motion to dismiss.

Of the attempted grant of 1.5 million options to Mr. Ergen in 2011, only 800,000 were validly granted and remain outstanding. We intend to vigorously defend these cases. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability.

Technology Development and Licensing, LLC

On January 22, 2009, Technology Development and Licensing, LLC (TDL) filed suit against us and DISH Network in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. Re. 35,952, which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The case has been stayed since July 2009, pending two reexamination petitions before the United States Patent and Trademark Office.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could cause us to materially modify certain features that we currently offer to consumers. We are being indemnified by DISH Network for any potential liability or damages resulting from this suit relating to the period

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prior to the effective date of the Spin-off. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TQ Beta LLC

On June 30, 2014, TQ Beta LLC (TQ Beta) filed suit against DISH Network, DISH DBS Corporation, DISH Network L.L.C., as well as us and our subsidiaries, EchoStar Technologies, L.L.C, Hughes Satellite Systems Corporation, and Sling Media, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 7,203,456 (the   456 patent), which is entitled   Method and Apparatus for Time and Space Domain Shifting of Broadcast Signals.   TQ Beta alleges that the Hopper, Hopper with Sling, ViP 722 and ViP 722k DVR devices, as well as the DISH Anywhere service and DISH Anywhere mobile application, infringe the   456 patent. TQ Beta is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TQP Development, LLC

On October 11, 2012, TQP Development, LLC (TQP) filed suit against our indirect wholly-owned subsidiary, Sling Media, Inc., in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent No. 5,412,730, which is entitled   Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys.   On November 14, 2012, TQP filed suit in the same venue against Hughes Network Systems, LLC, our indirectly wholly owned subsidiary, alleging infringement of the same patent. TQP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On July 8, 2013, the Court granted a joint motion to dismiss the claims against Sling without prejudice. On February 24, 2014, the Court granted a joint motion to dismiss the claims against Hughes Network Systems, LLC, without prejudice and the matter is now concluded.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of our business. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial position, results of operations or liquidity, though the outcomes could be material to our operating results for any particular period, depending, in part, upon the operating results for such period.

Note 15.   Segment Reporting

Operating segments are business components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker (CODM), who for EchoStar is the Company s Chief Executive Officer. Under this definition, we operate three primary business segments.

- ***EchoStar Technologies*** which designs, develops and distributes digital set-top boxes and related products and technology, primarily for satellite TV service providers, telecommunication companies and international cable companies. Our EchoStar Technologies segment also provides digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management, and other services primarily to DISH Network. In addition, we provide our Slingboxes directly to consumers via retail outlets and online.

- ***Hughes*** which provides satellite broadband internet access to North American consumers and broadband network services and equipment to domestic and international enterprise markets. The Hughes segment also provides managed services to large enterprises and solutions to customers for mobile satellite systems.

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• ***EchoStar Satellite Services*** which uses certain of our owned and leased in-orbit satellites and related licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and also to Dish Mexico, U.S. government service providers, state agencies, internet service providers, broadcast news organizations, programmers, and private enterprise customers.

The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, or EBITDA. Our segment operating results do not include real estate and other activities, costs incurred in certain satellite development programs and other business development activities, expenses of various corporate departments, and our centralized treasury operations, including income from our investment portfolio and interest expense on our debt. These activities are accounted for in the All Other and Eliminations column in the table below. Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis. The Hughes Retail Group is included in our Hughes segment and our CODM reviews HRG financial information only to the extent such information is included in our periodic filings with the SEC. Therefore, we do not consider HRG to be a separate operating segment.

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

	EchoStar Technologies	Hughes	EchoStar Satellite Services (In thousands)	All Other and Eliminations	Consolidated Total
For the Three Months Ended September 30, 2014					
External revenue	$ 422,948	$ 338,617	$ 126,944	$ 7,331	$ 895,840
Intersegment revenue	$ 142	$ 451	$ 660	$ (1,253)	$
Total revenue	$ 423,090	$ 339,068	$ 127,604	$ 6,078	$ 895,840
EBITDA	$ 37,416	$ 94,955	$ 111,563	$ 4,054	$ 247,988
Capital expenditures (1)	$ 10,485	$ 56,724	$ 11,772	$ 85,730	$ 164,711
For the Three Months Ended September 30, 2013					
External revenue	$ 456,028	$ 301,696	$ 85,138	$ 6,046	$ 848,908
Intersegment revenue	$ 101	$ 521	$ 807	$ (1,429)	$
Total revenue	$ 456,129	$ 302,217	$ 85,945	$ 4,617	$ 848,908
EBITDA	$ 42,975	$ 65,620	$ 68,808	$ (9,299)	$ 168,104
Capital expenditures (1)	$ 16,246	$ 49,443	$ 71	$ 40,811	$ 106,571
For the Nine Months Ended September 30, 2014					
External revenue	$ 1,244,394	$ 982,783	$ 354,558	$ 19,956	$ 2,601,691
Intersegment revenue	$ 380	$ 1,314	$ 2,406	$ (4,100)	$
Total revenue	$ 1,244,774	$ 984,097	$ 356,964	$ 15,856	$ 2,601,691
EBITDA	$ 118,648	$ 267,210	$ 308,573	$ (21,657)	$ 672,774
Capital expenditures (1)	$ 37,923	$ 154,201	$ 11,801	$ 230,503	$ 434,428
For the Nine Months Ended September 30, 2013					
External revenue	$ 1,308,360	$ 904,625	$ 242,562	$ 18,818	$ 2,474,365
Intersegment revenue	$ 310	$ 1,939	$ 2,457	$ (4,706)	$
Total revenue	$ 1,308,670	$ 906,564	$ 245,019	$ 14,112	$ 2,474,365
EBITDA	$ 104,947	$ 202,995	$ 167,281	$ 13,708	$ 488,931

Capital expenditures (1)	$	43,898	$	139,276	$	12,403	$	69,266	$	264,843

(1) Capital expenditures consist of purchases of property and equipment reported in our Condensed Consolidated Statements of Cash Flows and do not include satellites transferred in the Satellite and Tracking Stock Transaction or other noncash capital expenditures.

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The following table reconciles total consolidated EBITDA to reported Income (loss) before income taxes in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In thousands)			
EBITDA	$ 247,988	$ 168,104	$ 672,774	$ 488,931
Interest income and expense, net	(39,418)	(44,731)	(125,404)	(138,544)
Depreciation and amortization	(142,294)	(124,742)	(416,167)	(379,585)
Net loss attributable to noncontrolling interest in HSS Tracking Stock	(2,106)		(4,049)	
Net income attributable to noncontrolling interests	375	317	1,103	533
Income (loss) before income taxes	$ 64,545	$ (1,052)	$ 128,257	$ (28,665)

Note 16. Related Party Transactions

DISH Network

Following the Spin-off, we and DISH Network have operated as separate publicly-traded companies. However, pursuant to the Satellite and Tracking Stock Transaction, described in Note 2 and below, DISH Network owns Hughes Retail Preferred Tracking Stock representing an aggregate 80.0% economic interest in the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business. In addition, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

In connection with and following the Spin-off, we and DISH Network have entered into certain agreements pursuant to which we obtain certain products, services and rights from DISH Network; DISH Network obtains certain products, services and rights from us; and we and DISH Network have indemnified each other against certain liabilities arising from our respective businesses. We also may enter into additional agreements with DISH Network in the future. Generally, the amounts DISH Network pays for products and services provided under the agreements are based on our cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided.

Equipment revenue DISH Network

Receiver Agreement. Effective January 1, 2012, we and DISH Network entered into a new receiver agreement (the 2012 Receiver Agreement), pursuant to which DISH Network has the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment from us for the period from January 1, 2012 to December 31, 2014. The 2012 Receiver Agreement replaced the receiver agreement we entered into with DISH Network in connection with the Spin-off. The 2012 Receiver Agreement allows DISH Network to purchase digital set-top boxes, related accessories, and other equipment from us either: (i) at cost (decreasing as we reduce costs and increasing as costs increase) plus a dollar mark-up which will depend upon the cost of the product subject to a collar on our mark-up; or (ii) at cost plus a fixed margin, which will depend on the nature of the equipment purchased. Under the 2012 Receiver Agreement, our margins will be increased if we are able to reduce the costs of our digital set-top boxes and our margins will be reduced if these costs increase. We provide DISH Network with standard manufacturer warranties for the goods sold under the 2012 Receiver Agreement. Additionally, the 2012 Receiver Agreement includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters. DISH Network is able to terminate the 2012 Receiver Agreement for any reason upon at least 60 days notice to us. We are able to terminate the 2012 Receiver Agreement if certain entities acquire DISH Network. DISH Network has an option, but not the obligation, to extend the 2012 Receiver Agreement for one additional year upon 180 days notice prior to the end of the term. On May 5, 2014, we received DISH Network s notice to extend the 2012 Receiver Agreement for one year to December 31, 2015.

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Services and other revenue DISH Network

Broadcast Agreement. Effective January 1, 2012, we and DISH Network entered into a new broadcast agreement (the 2012 Broadcast Agreement) pursuant to which we provide certain broadcast services to DISH Network, including teleport services such as transmission and downlinking, channel origination services, and channel management services, for the period from January 1, 2012 to December 31, 2016. The 2012 Broadcast Agreement replaced the broadcast agreement that we entered into with DISH Network in connection with the Spin-off. The fees for the services provided under the 2012 Broadcast Agreement are calculated at either: (a) our cost of providing the relevant service plus a fixed dollar fee, which is subject to certain adjustments; or (b) our cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided. DISH Network has the ability to terminate channel origination services and channel management services for any reason and without any liability upon at least 60 days notice to us. If DISH Network terminates the teleport services provided under the 2012 Broadcast Agreement for a reason other than our breach, DISH Network generally is obligated to reimburse us for any direct costs we incur related to any such termination that we cannot reasonably mitigate.

Broadcast Agreement for Certain Sports Related Programming. During May 2010, we and DISH Network entered into a broadcast agreement pursuant to which we provide certain broadcast services to DISH Network in connection with its carriage of certain sports related programming. The term of this agreement is ten years. If DISH Network terminates this agreement for a reason other than our breach, DISH Network generally is obligated to reimburse us for any direct costs we incur related to any such termination that we cannot reasonably mitigate. The fees for the broadcast services provided under this agreement depend, among other things, upon the cost to develop and provide such services.

Satellite Services Provided to DISH Network. Since the Spin-off, we have entered into certain satellite service agreements pursuant to which DISH Network receives satellite services on certain satellites owned or leased by us. The fees for the services provided under these satellite service agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are providing services on the applicable satellite, and the length of the service arrangements. The term of each service arrangement is set forth below:

EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV. As part of the Satellite and Tracking Stock Transaction discussed in Note 2, on March 1, 2014, we began providing certain satellite services to DISH Network on the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. The term of each satellite services agreement generally terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each satellite service agreement on a year-to-year basis through the end of the respective satellite s life. There can be no assurance that any options to renew such agreements will be exercised.

EchoStar VIII. In May 2013, DISH Network began receiving satellite services from us on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this satellite services arrangement converted to a month-to-month service agreement. Both parties have the right to terminate this agreement upon 30 days notice.

EchoStar IX. Effective January 2008, DISH Network began receiving satellite services from us on EchoStar IX. Subject to availability, DISH Network generally has the right to continue to receive satellite services from us on EchoStar IX on a month-to-month basis.

EchoStar XII. DISH Network receives satellite services from us on EchoStar XII. The term of the satellite services agreement terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails or the date the transponder(s) on which the service was being provided under the agreement fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew the agreement on a year-to-year basis through the end of the satellite s life. There can be no assurance that any options to renew this agreement will be exercised.

EchoStar XVI. During December 2009, we entered into an initial ten-year transponder service agreement with DISH Network to receive satellite services from us on EchoStar XVI, a DBS satellite. Effective December 21, 2012, we and DISH Network amended the transponder service agreement to, among other things, change the

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initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. Prior to expiration of the initial term, we, upon certain conditions, and DISH Network have the option to renew for an additional six-year period. If either we or DISH Network exercise our respective six-year renewal options, DISH Network has the option to renew for an additional five-year period prior to expiration of the then-current term. There can be no assurance that any option to renew this agreement will be exercised. We began to provide satellite services on EchoStar XVI to DISH Network in January 2013.

Satellite and Tracking Stock Transaction. On February 20, 2014, we entered into agreements with DISH Network to implement a transaction pursuant to which, among other things: (i) on March 1, 2014, EchoStar and HSS issued shares of the Tracking Stock to DISH Network in exchange for five satellites owned by DISH Network (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV) (including related in-orbit incentive obligations and interest payments of approximately $58.9 million) and approximately $11.4 million in cash; and (ii) on March 1, 2014, DISH Network began receiving certain satellite services on these five satellites from us. See Note 2 for further information.

Nimiq 5 Agreement. During 2009, we entered into a fifteen-year satellite service agreement with Telesat Canada (Telesat) to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree west longitude orbital location (the Telesat Transponder Agreement). During 2009, we also entered into a satellite service agreement (the DISH Nimiq 5 Agreement) with DISH Network, pursuant to which DISH Network receives satellite services from us on all 32 of the DBS transponders covered by the Telesat Transponder Agreement.

Under the terms of the DISH Nimiq 5 Agreement, DISH Network makes certain monthly payments to us that commenced in September 2009, when the Nimiq 5 satellite was placed into service, and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire ten years following the date it was placed into service. Upon expiration of the initial term, DISH Network has the option to renew the DISH Nimiq 5 Agreement on a year-to-year basis through the end of life of the Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

QuetzSat-1 Agreement. During 2008, we entered into a ten-year satellite service agreement with SES Latin America, which provides, among other things, for the provision by SES Latin America to us of service on 32 DBS transponders on the QuetzSat-1 satellite. Concurrently, in 2008, we entered into a transponder service agreement with DISH Network, pursuant to which DISH Network receives satellite services on 24 of the DBS transponders on QuetzSat-1. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter of 2011 at the 67.1 degree west longitude orbital location. In the interim, we provided DISH Network with alternate capacity at the 77 degree west longitude orbital location. During the third quarter of 2012, we and DISH Network entered into an agreement pursuant to which we receive certain satellite services from DISH Network on five DBS transponders on the QuetzSat-1 satellite. In January 2013, QuetzSat-1 was moved to the 77 degree west longitude orbital location and DISH Network commenced commercial operations at such location in February 2013.

Under the terms of our contractual arrangements with DISH Network, we began to provide service to DISH Network on the QuetzSat-1 satellite in February 2013 and will continue to provide service through the remainder of the service term. Unless extended or earlier terminated under the terms and conditions of our agreement with DISH Network for the QuetzSat-1 satellite, the initial service term will expire in November 2021. Upon expiration of the initial service term, DISH Network has the option to renew the agreement for the QuetzSat-1 satellite on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon an in-orbit failure or end of life of the QuetzSat-1 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

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103 Degree Orbital Location/SES-3. During May 2012, we entered into a spectrum development agreement (the 103 Spectrum Development Agreement) with Ciel Satellite Holdings Inc. (Ciel) to develop certain spectrum rights at the 103 degree west longitude orbital location (the 103 Spectrum Rights). During June 2013, we and DISH Network entered into a spectrum development agreement (the DISH 103 Spectrum Development Agreement) pursuant to which DISH Network may use and develop the 103 Spectrum Rights. Unless earlier terminated under the terms and conditions of the DISH 103 Spectrum Development Agreement, the term generally will continue for the duration of the 103 Spectrum Rights Agreement.

In connection with the 103 Spectrum Development Agreement, during May 2012, we also entered into a ten-year service agreement with Ciel pursuant to which we receive certain satellite services from Ciel on the SES-3 satellite at the 103 degree orbital location (the 103 Service Agreement). During June 2013, we and DISH Network entered into an agreement pursuant to which DISH Network receives certain satellite services from us on the SES-3 satellite (the DISH 103 Service Agreement). Under the terms of the DISH 103 Service Agreement, DISH Network makes certain monthly payments to us through the service term. Unless earlier terminated under the terms and conditions of the DISH 103 Service Agreement, the initial service term will expire on the earlier of: (i) the date the SES-3 satellite fails; (ii) the date the transponder(s) on which service was being provided under the agreement fails; or (iii) ten years following the actual service commencement date. Upon in-orbit failure or end of life of the SES-3 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that DISH Network will exercise its option to receive service on a replacement satellite.

TT&C Agreement. Effective January 1, 2012, we entered into a new telemetry, tracking and control (TT&C) agreement pursuant to which we provide TT&C services to DISH Network and its subsidiaries for a period ending on December 31, 2016 (the 2012 TT&C Agreement). The 2012 TT&C Agreement replaced the TT&C agreement we entered into with DISH Network in connection with the Spin-off. The fees for services provided under the 2012 TT&C Agreement are calculated at either: (i) a fixed fee or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. DISH Network is able to terminate the 2012 TT&C Agreement for any reason upon 60 days notice.

In connection with the Satellite and Tracking Stock Transaction, on February 20, 2014, we amended the TT&C Agreement to cease the provision of TT&C services to DISH Network for the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. Effective March 1, 2014, we continue to provide TT&C services for the D-1 and EchoStar XV satellites; however for the period that we receive satellite services on EchoStar XV from DISH Network, we have waived the fees for the TT&C services on EchoStar XV.

Real Estate Lease Agreements. We have entered into lease agreements pursuant to which DISH Network leases certain real estate from us. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and DISH Network is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises. The term of each of the leases is set forth below:

Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East in Englewood, Colorado is for a period ending on December 31, 2016. This agreement can be terminated by either party upon six months prior notice.

Meridian Lease Agreement. The lease for all of 9601 S. Meridian Blvd. in Englewood, Colorado is for a period ending on December 31, 2016.

Santa Fe Lease Agreement. The lease for all of 5701 S. Santa Fe Dr. in Littleton, Colorado is for a period ending on December 31, 2016 with a renewal option for one additional year.

EchoStar Data Networks Sublease Agreement. The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia is for a period ending on October 31, 2016.

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Gilbert Lease Agreement. The lease for certain space at 801 N. DISH Dr. in Gilbert, Arizona is a month to month lease and can be terminated by either party upon 30 days prior notice. This lease was terminated in May 2014.

Cheyenne Lease Agreement. The lease for certain space at 530 EchoStar Drive in Cheyenne, Wyoming is for a period ending on December 31, 2031.

Product Support Agreement. In connection with the Spin-off, we entered into a product support agreement pursuant to which DISH Network has the right, but not the obligation, to receive product support from us (including certain engineering and technical support services) for all set-top boxes and related components that our subsidiaries have previously sold and in the future may sell to DISH Network. The fees for the services provided under the product support agreement are calculated at cost plus a fixed margin, which varies depending on the nature of the services provided. The term of the product support agreement is the economic life of such set-top boxes and related components, unless terminated earlier. DISH Network may terminate the product support agreement for any reason upon at least 60 days notice. In the event of an early termination of this agreement, DISH Network is entitled to a refund of any unearned fees paid to us for the services.

DISHOnline.com Services Agreement. Effective January 1, 2010, DISH Network entered into a two-year agreement with us pursuant to which DISH Network receives certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. DISH Network has the option to renew this agreement for successive one year terms and the agreement may be terminated by DISH Network for any reason upon at least 120 days notice to us. In November 2014, DISH Network exercised its right to renew this agreement for a one-year period ending on December 31, 2015.

DISH Remote Access Services Agreement. Effective February 23, 2010, we entered into an agreement with DISH Network pursuant to which DISH Network receives, among other things, certain remote digital video recorder (DVR) management services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated by DISH Network for any reason upon at least 120 days notice to us.

SlingService Services Agreement. Effective February 23, 2010, we entered into an agreement with DISH Network pursuant to which DISH Network receives certain services related to placeshifting. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms and may be terminated by DISH Network for any reason upon at least 120 days notice to us.

Blockbuster Agreements. On April 26, 2011, DISH Network acquired substantially all of the assets of Blockbuster, Inc. (the Blockbuster Acquisition). On June 8, 2011, we completed the acquisition of Hughes Communications, Inc. and its subsidiaries (the Hughes Acquisition). Hughes Network Systems, LLC (HNS), a wholly-owned subsidiary of Hughes Communications, Inc., provided certain broadband products and services to Blockbuster, Inc. (Blockbuster) pursuant to an agreement that was entered into prior to the Blockbuster Acquisition and the Hughes Acquisition. Subsequent to both the Blockbuster Acquisition and the Hughes Acquisition, Blockbuster entered into a new agreement with HNS pursuant to which Blockbuster may continue to purchase broadband products and services from our Hughes segment (the Blockbuster VSAT Agreement).

Effective February 1, 2014, all services to all Blockbuster locations, including Blockbuster franchisee locations, terminated in connection with the closing of all of the Blockbuster retail locations.

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Radio Access Network Agreement. On November 29, 2012, HNS entered into an agreement with DISH Network L.L.C. pursuant to which HNS will construct for DISH Network a ground-based satellite radio access network (RAN) for a fixed fee. The completion of the RAN under this agreement is expected to occur on or before November 29, 2014. This agreement generally may be terminated by DISH Network at any time for convenience.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. (DISH Broadband), DISH Network s wholly-owned subsidiary, was selected by the Rural Utilities Service (RUS) of the United States Department of Agriculture to receive up to approximately $14.1 million in broadband stimulus grant funds (the Grant Funds). Effective November 2011, HNS and DISH Broadband entered into a RUS Implementation Agreement (the RUS Agreement) pursuant to which HNS provides certain portions of the equipment and broadband service used to implement DISH Broadband s RUS program. While the RUS Agreement expired in June 2013 when the Grant Funds were exhausted, HSS is required to continue providing services to DISH Broadband s customers activated prior to the expiration of the RUS Agreement in accordance with the terms and conditions of the RUS Agreement.

TerreStar Agreement. On March 9, 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar. Prior to DISH Network s acquisition of substantially all the assets of TerreStar and our completion of the Hughes Acquisition, TerreStar and HNS entered into various agreements pursuant to which our Hughes segment provides, among other things, hosting, operations and maintenance services for TerreStar s satellite gateway and associated ground infrastructure. These agreements generally may be terminated by DISH Network at any time for convenience.

Hughes Broadband Distribution Agreement. Effective October 1, 2012, HNS and dishNET Satellite Broadband L.L.C. (dishNET), a wholly-owned subsidiary of DISH Network, entered into a distribution agreement (the Distribution Agreement) pursuant to which dishNET has the right, but not the obligation, to market, sell and distribute the Hughes satellite internet service (the Hughes service). dishNET pays HNS a monthly per subscriber wholesale service fee for the Hughes service based upon a subscriber s service level, and, beginning January 1, 2014, based upon certain volume subscription thresholds. The Distribution Agreement also provides that dishNET has the right, but not the obligation, to purchase certain broadband equipment from us to support the sale of the Hughes service. The Distribution Agreement has an initial term of five years with automatic renewal for successive one year terms unless terminated by either party with a written notice at least 180 days before the expiration of the then-current term. On February 20, 2014, HNS and dishNET entered into an amendment to the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement through March 1, 2024. Upon expiration or termination of the Distribution Agreement, the parties will continue to provide the Hughes service to the then-current dishNET subscribers pursuant to the terms and conditions of the Distribution Agreement.

Set-Top Box Application Development Agreement. During the fourth quarter of 2012, we and DISH Network entered into a set-top box application development agreement (the Application Development Agreement) pursuant to which we provide DISH Network with certain services relating to the development of web-based applications for the period ending February 1, 2015. The Application Development Agreement renews automatically for successive one-year periods thereafter, unless terminated earlier by us or DISH Network at any time upon at least 90 days notice. The fees for services provided under the Application Development Agreement are calculated at our cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided.

XiP Encryption Agreement. During the third quarter of 2012, we entered into an encryption agreement with DISH Network for our whole-home HD DVR line of set-top boxes (the XiP Encryption Agreement) pursuant to which we provide certain security measures on our whole-home HD DVR line of set-top boxes to encrypt the content delivered to the set-top box via a smart card and secure the content between set-top boxes. The term of the XiP Encryption Agreement is until December 31, 2015. Under the XiP Encryption Agreement, DISH Network has an option, but not the obligation to extend the XiP Encryption Agreement for one additional year upon at least 180 days notice prior to the end of the term. We and DISH Network each have the right to terminate the XiP Encryption Agreement for any reason upon at least 180 days notice and 30 days notice, respectively. The fees for the services provided under the XiP Encryption Agreement are calculated on a monthly basis based on the number of receivers utilizing such security measures each month.

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DBSD North America Agreement. On March 9, 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America, Inc. (DBSD North America). Prior to DISH Network s acquisition of DBSD North America and our completion of the Hughes Acquisition, DBSD North America and HNS entered into an agreement pursuant to which our Hughes segment provides, among other things, hosting, operations and maintenance services of DBSD North America s satellite gateway and associated ground infrastructure. This agreement was renewed for a one-year period ending on February 15, 2015, and renews for two successive one-year periods unless terminated by DBSD North America upon at least 30 days notice prior to the expiration of any renewal term.

DISH Digital Holding L.L.C. Effective July 1, 2012, we and DISH Network formed DISH Digital, which was owned two-thirds by DISH Network and one-third by EchoStar. DISH Digital was formed to develop and commercialize certain advanced technologies. At that time, we, DISH Network and DISH Digital entered into the following agreements with respect to DISH Digital: (i) a contribution agreement pursuant to which we and DISH Network contributed certain assets in exchange for our respective ownership interests in DISH Digital; (ii) a limited liability company operating agreement (Operating Agreement), which provides for the governance of DISH Digital; and (iii) a commercial agreement (Commercial Agreement) pursuant to which, among other things, DISH Digital has: (a) certain rights and corresponding obligations with respect to its business; and (b) the right, but not the obligation, to receive certain services from us and DISH Network, respectively. Effective August 1, 2014, we and DISH Digital entered into the Exchange Agreement pursuant to which, among other things, DISH Digital distributed certain assets to us and we reduced our interest in DISH Digital to a ten percent non-voting interest. DISH Network now has a ninety percent equity interest and a 100% voting interest in DISH Digital. In addition, we, DISH Network and DISH Digital amended and restated the Operating Agreement, primarily to reflect the changes implemented by the Exchange Agreement. Finally, we, DISH Network and DISH Digital amended and restated the Commercial Agreement, pursuant to which, among other things, DISH Digital: (1) continues to have certain rights and corresponding obligations with respect to its business; (2) continues to have the right, but not the obligation, to receive certain services from us and DISH Network; and (3) has a license from us to use certain of the assets distributed to us as part of the Exchange Agreement. As of September 30, 2014, we accounted for our investment in DISH Digital using the cost method.

Cost of sales equipment DISH Network

Remanufactured Receiver Agreement. In connection with the Spin-off, we entered into a remanufactured receiver agreement with DISH Network pursuant to which we have the right, but not the obligation, to purchase remanufactured receivers and related components from DISH Network at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. In November 2014, we and DISH Network extended this agreement until December 31, 2015. We may terminate the remanufactured receiver agreement for any reason upon at least 60 days notice to DISH Network. DISH Network may also terminate this agreement if certain entities acquire it.

Cost of sales services and other DISH Network

Satellite Services Received from DISH Network. Since the Spin-off, we entered into certain satellite services agreements pursuant to which we acquire certain satellite services from DISH Network on certain satellites owned or leased by DISH Network. The fees for the services provided under these satellite services agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are providing services on the applicable satellite and the length of the service term. The term of each satellite service agreement is set forth below:

D-1. In November 2012, HNS entered into a satellite service agreement pursuant to which HNS received satellite services from DISH Network on the D-1 satellite for research and development. This agreement terminated on June 30, 2014.

EchoStar XV. In May 2013, we began receiving satellite services from DISH Network on EchoStar XV and relocated the satellite to the 45 degree west longitude orbital location for testing pursuant to our Brazilian authorization. Effective March 1, 2014, this satellite services agreement converted to a month-to-month service agreement. Both parties have the right to terminate this agreement upon 30 days notice.

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General and administrative expenses DISH Network

Management Services Agreement. In connection with the Spin-off, we entered into a Management Services Agreement with DISH Network pursuant to which DISH Network made certain of its officers available to provide services (which were primarily accounting services) to us. Effective June 15, 2013, we terminated the Management Services Agreement.

Professional Services Agreement. In connection with the Spin-off, we entered into various agreements with DISH Network including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional Services Agreement. During 2009, we and DISH Network agreed that we shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under the Transition Services Agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, we and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement), receive logistics, procurement and quality assurance services from us (previously provided under the Services Agreement) and other support services. The Professional Services Agreement automatically renewed on January 1, 2014 for an additional one-year period and renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days notice. However, either party may terminate the Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days notice.

Real Estate Lease Agreements. Since the Spin-off, we have entered into lease agreements pursuant to which we lease certain real estate from DISH Network. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and we are responsible for our portion of the taxes, insurance, utilities and maintenance of the premises. The term of each of the leases is set forth below:

El Paso Lease Agreement. The lease for certain space at 1285 Joe Battle Blvd., El Paso, Texas is for a period ending on August 1, 2015, and provides us with renewal options for four consecutive three year terms.

American Fork Occupancy License Agreement. The license for certain space at 796 East Utah Valley Drive in American Fork, Utah is for a period ending on July 31, 2017, subject to the terms of the underlying lease agreement.

Other agreements DISH Network

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

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In light of the tax sharing agreement, among other things, and in connection with our consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter of 2013, we and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS s examination of our consolidated tax returns. Prior to the agreement with DISH Network, the federal tax benefits of $83.2 million were reflected as a deferred tax asset for depreciation and amortization, which was netted in our noncurrent deferred tax liabilities. The agreement requires DISH Network to pay us $83.2 million of the federal tax benefit it receives at such time as we would have otherwise been able to realize such tax benefit, which we currently estimate would be after 2015. Accordingly, we recorded a noncurrent receivable from DISH Network for $83.2 million in Other receivable DISH Network and a corresponding increase in our net noncurrent deferred tax liabilities to reflect the effects of this agreement in the third quarter of 2013. In addition, during the third quarter of 2013, we and DISH Network agreed upon a tax sharing arrangement for filing certain combined state income tax returns and a method of allocating the respective tax liabilities between us and DISH Network for such combined returns, through the taxable period ending on December 31, 2017.

TiVo. On April 29, 2011, we and DISH Network entered into a settlement agreement with TiVo, Inc. (TiVo). The settlement resolved all pending litigation between us and DISH Network, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH Network DVRs.

Under the settlement agreement, all pending litigation was dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by us or DISH Network were dissolved. We and DISH Network are jointly responsible for making payments to TiVo in the aggregate amount of $500.0 million, including an initial payment of $300.0 million and the remaining $200.0 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with the Spin-off, DISH Network made the initial payment to TiVo in May 2011, except for the contribution from us totaling approximately $10.0 million, representing an allocation of liability relating to our sales of DVR-enabled receivers to an international customer. Future payments will be allocated between us and DISH Network based on historical sales of certain licensed products, with EchoStar being responsible for 5% of each annual payment.

Patent Cross-License Agreements. During December 2011, we and DISH Network entered into separate patent cross-license agreements with the same third party whereby: (i) we and such third party licensed our respective patents to each other subject to certain conditions; and (ii) DISH Network and such third party licensed their respective patents to each other subject to certain conditions (each, a Cross-License Agreement). Each Cross-License Agreement covers patents acquired by the respective party prior to January 1, 2017 and aggregate payments under both Cross-License Agreements total less than $10.0 million. Each Cross-License Agreement also contains an option to extend each Cross-License Agreement to include patents acquired by the respective party prior to January 1, 2022. If both options are exercised, the aggregate additional payments to such third party would total less than $3.0 million. However, we and DISH Network may elect to extend our respective Cross-License Agreement independently of each other. Since the aggregate payments under both Cross-License Agreements were based on the combined annual revenue of us and DISH Network, we and DISH Network agreed to allocate our respective payments to such third party based on our respective percentage of combined total revenue.

TerreStar-2 Development Agreement. In August 2013, we and DISH Network entered into a development agreement (T2 Development Agreement) with respect to the TerreStar-2/EchoStar XXI (T2/EchoStar XXI) satellite under which we reimburse DISH Network for amounts it pays pursuant to an authorization to proceed (T2 ATP) with SSL in connection with the construction of the T2/EchoStar XXI satellite. In exchange, DISH Network granted us certain rights to purchase the T2/EchoStar XXI satellite during the term of the T2 Development Agreement. The T2 Development Agreement was amended in December 2013 to provide for the ability to purchase DISH Network s rights and obligations under the T2 ATP and the related agreement for the construction of the T2/EchoStar XXI satellite with SSL. The T2 Development Agreement expires on the later of: (i) December 19, 2014, or (ii) the date on which the T2 ATP expires.

Roger J. Lynch Agreement. In November 2009, Mr. Roger J. Lynch became employed by both us and DISH Network as Executive Vice President. Mr. Lynch is responsible for the development and implementation of advanced technologies that are of potential utility and importance to both us and DISH Network. Mr. Lynch s compensation consists of cash and equity compensation and is borne by both DISH Network and us.

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Other Agreements

Hughes Systique Corporation (Hughes Systique   )

We contract with Hughes Systique for software development services. In February 2008, Hughes agreed to make available to Hughes Systique a term loan facility of up to $1.5 million. Also in 2008, Hughes funded an initial $0.5 million to Hughes Systique pursuant to the term loan facility. In 2009, HNS funded the remaining $1.0 million of its $1.5 million commitment under the term loan facility. The loans bear interest at 6%, payable annually, and are convertible into shares of Hughes Systique upon non-payment or an event of default. As a result, the Company is not obligated to provide any further funding to Hughes Systique under the term loan facility. In May 2014, Hughes and Hughes Systique entered into an amendment to the term loan facility to increase the interest rate from 6% to 8%, payable annually, to reflect current market conditions. The loans, as amended, mature on May 1, 2015. In addition to our 44.4% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications, Inc. and a member of our Board of Directors and his brother, who is the CEO and President of Hughes Systique, in the aggregate, owned approximately 26.1%, on an undiluted basis, of Hughes Systique   s outstanding shares as of September 30, 2014. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. We are considered the   primary beneficiary   of Hughes Systique due to, among other factors, our ability to significantly influence and direct the operating and financial decisions of Hughes Systique and our obligation to provide financial support in the form of term loans. As a result, we are required to consolidate Hughes Systique   s financial statements in our condensed consolidated financial statements.

NagraStar L.L.C.

We own 50% of NagraStar L.L.C. (NagraStar   ), a joint venture that is our primary provider of encryption and related security technology used in our set-top boxes. We account for our investment in NagraStar using the equity method.

The table below summarizes our transactions with NagraStar.

	For the Three Months Ended September 30, 2014	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
	(In thousands)			
Purchases from NagraStar	$ 5,932	$ 4,626	$ 15,498	$ 12,781

	As of September 30, 2014	As of December 31, 2013
	(In thousands)	
Due to NagraStar	$ 4,484	$ 1,211
Commitments to purchase from NagraStar	$ 9,732	$ 5,874

Dish Mexico

During 2008, we entered into a joint venture for a direct-to-home satellite service in Mexico known as Dish Mexico. We provide certain broadcast services and satellite capacity and sell hardware such as digital set-top boxes and related equipment to Dish Mexico. As discussed in Note 6, on August 8, 2014, an option providing for an unrelated party to acquire a 51.0% equity interest in Dish Mexico was terminated. Although we have owned 49.0% of the equity of Dish Mexico since its inception in 2008, we accounted for our investment as a 24.0% equity interest using the equity method based on assumed dilution that would occur upon the exercise of the option. For periods subsequent to the date of the termination of the option, we account for our investment in Dish Mexico as a 49.0% equity interest using the equity method.

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The following table summarizes revenue from sales of hardware and services we provided to Dish Mexico.

	For the Three Months Ended September 30, 2014		For the Three Months Ended September 30, 2013		For the Nine Months Ended September 30, 2014		For the Nine Months Ended September 30, 2013	
	(In thousands)							
Digital set-top boxes and related accessories	$	14,741	$	6,751	$	40,146	$	32,602
Satellite services	$	5,837	$	5,834	$	17,510	$	16,801
Uplink services	$	1,530	$	1,732	$	4,745	$	4,887
Other services	$		$		$		$	18

	As of September 30, 2014		As of December 31, 2013	
	(In thousands)			
Due from Dish Mexico	$	10,330	$	3,506

Deluxe/EchoStar LLC

We own 50% of Deluxe/EchoStar LLC (Deluxe), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. We account for our investment in Deluxe using the equity method. We recognized revenue from Deluxe for transponder services and the sale of broadband equipment of $0.8 million and $0.2 million for the three months ended September 30, 2014 and 2013, respectively, and $2.5 million and $1.1 million for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014 and December 31, 2013, we had receivables from Deluxe of approximately $0.7 million and $1.1 million, respectively.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context indicates otherwise, as used herein, the terms we, us, EchoStar, the Company and our refer to EchoStar Corporation and its subsidiaries. References to $ are to United States dollars. The following management s discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this Quarterly Report on Form 10-Q. This management s discussion and analysis is intended to help provide an understanding of our financial condition, changes in our financial condition and our results of operations. Many of the statements in this management s discussion and analysis are forward-looking statements that involve assumptions and are subject to risks and uncertainties that are often difficult to predict and beyond our control. Actual results could differ materially from those expressed or implied by such forward-looking statements. See Disclosure Regarding Forward-Looking Statements in this Quarterly Report on Form 10-Q for further discussion. For a discussion of additional risks, uncertainties and other factors that could impact our results of operations or financial condition, see the caption Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2013. Further, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to update them.

EXECUTIVE SUMMARY

EchoStar is a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for the home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. We currently operate in three business segments, which are differentiated primarily by their operational focus: EchoStar Technologies, Hughes, and EchoStar Satellite Services. The segments currently reported are consistent with the way decisions regarding the allocation of resources are made, as well as how operating results are reviewed by our chief operating decision maker.

Highlights from our financial results are as follows:

2014 Third Quarter Consolidated Results of Operations

- Revenue of $895.8 million
- Operating income of $92.3 million
- Net income of $58.4 million
- Net income attributable to EchoStar of $60.2 million and earnings per share of common stock of $0.70
- EBITDA of $248.0 million (see non-GAAP reconciliation on page 31)

Consolidated Financial Condition as of September 30, 2014

- Total assets of $7.31 billion
- Total liabilities of $3.71 billion
- Total stockholders equity of $3.60 billion
- Cash, cash equivalents and current marketable investment securities of $1.78 billion

EchoStar Technologies Segment

Our EchoStar Technologies segment designs, develops and distributes digital set-top boxes and related products and technology, primarily for satellite TV service providers, telecommunication companies and international cable companies. A substantial majority of our digital set-top boxes are sold to DISH Network Corporation and its subsidiaries (DISH Network), but we also sell digital set-top boxes to Bell TV, Dish Mexico, S. de R.L. de C.V. (Dish Mexico) and other international customers. We depend on DISH Network for a substantial portion of our EchoStar Technologies segment revenue and we expect that DISH Network will continue to be the primary source of revenue for our EchoStar Technologies segment. In addition, our equipment revenue from DISH Network depends on the timing of orders for set-top boxes and accessories from DISH Network based on its actual and projected subscriber growth. Therefore, the results of operations of our EchoStar Technologies segment are, and are likely to continue to be, closely linked to the performance of DISH Network s pay-TV service.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Our EchoStar Technologies segment also provides digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management, and other services, primarily to DISH Network. In addition, we provide our Slingboxes directly to consumers via retail outlets and online. Sling Media placeshifting technology gives consumers the ability, at their option, to watch and control their home digital video and audio content via a broadband internet connection.

We continue to focus on building and strengthening our brand recognition by providing unique and technologically advanced features and products. Products containing new technologies and features typically have higher initial selling prices, margins and volumes. The market for our digital set-top boxes, like other electronic products has also been characterized by regular reductions in selling prices and production costs. Our ability to sustain or increase profitability also depends in large part on our ability to control or reduce our costs of producing digital set-top boxes. Based on our experience, we expect our cost of manufacturing a specific set-top box model to decline over time as our contract manufacturers generate efficiencies with scale of production and engineering cost reductions. Overall, our success depends heavily on our ability to bring advanced technologies to market to keep pace with our competitors.

The number of potential new customers for our EchoStar Technologies segment is small and may be limited as prospective customers that have been competitors of DISH Network may continue to view us as a competitor due to our common ownership with DISH Network. We believe that our best opportunities for developing potential new customers for our EchoStar Technologies segment over the near term lie in international markets, including through joint ventures. We have extended our exclusive equipment partnership with Bell TV through the end of 2015. Additionally, our joint venture with Dish Mexico continues to see solid growth. We are continuing to work with Dish Mexico on enhanced features and services that will help them respond to competitive pressures in Mexico.

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and services for the home and office, delivering innovative network technologies, managed services, and solutions for consumers, enterprises and governments.

We continue our efforts in growing our consumer revenue, which depends on our success in adding new subscribers on our Hughes segment s satellite networks. The addition of new subscribers and the performance of our consumer service offering, primarily drive the revenue growth in our consumer business. Service costs related to ongoing support of our direct and indirect customers and partners are typically impacted most significantly by our growth. Long term trends continue to be influenced primarily by the subscriber growth in our consumer business. Additional capacity provided in this business by new satellite launches provides impetus for initial subscriber growth while we manage subscriber growth across our satellite platform.

Our Hughes segment also provides managed services, hardware, and satellite services to large enterprises. In addition, we provide gateway and terminal equipment to customers for mobile satellite systems. The fixed pricing nature of our long term enterprise contracts minimizes significant quarter to quarter fluctuations. We continue to monitor the competitive landscape for pricing in relation to our competitors and alternative technologies. However, the growth of our enterprise businesses relies heavily on global economic conditions.

In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil will provide to Hughes Telecomunica ões do Brasil Ltda. the fixed broadband service on the entire Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. The satellite is scheduled to be placed into service in the second quarter of 2016. We are required to fund the cost of the Ka-band capacity in quarterly installments while the satellite is under construction.

As of September 30, 2014 and December 31, 2013, our Hughes segment had approximately 960,000 and 860,000 broadband subscribers, respectively. These subscribers include subscriptions with HughesNet services, through retail, wholesale and small/medium enterprise service channels. Gross subscriber additions decreased in the third quarter of 2014 compared to the same period in 2013 due primarily to satellite beams servicing certain areas reaching capacity. Our average monthly subscriber churn for the third quarter of 2014 decreased as compared to the same period in

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

2013, however, total disconnects increased due to the increased number of subscribers. As a result, for the quarter ended September 30, 2014, net subscriber additions of 25,000 were lower than the same period last year primarily reflecting the decrease in gross subscriber additions and churn on the increasing base of subscribers.

As of September 30, 2014 and December 31, 2013, our Hughes segment had approximately $1.33 billion and $1.15 billion, respectively of contracted revenue backlog. We define Hughes revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market.

EchoStar Satellite Services Segment

Our EchoStar Satellite Services segment operates its business using 15 of our owned and leased in-orbit satellites. We provide satellite services on a full-time and occasional-use basis primarily to DISH Network, and also to Dish Mexico, U.S. government service providers, state agencies, internet service providers, broadcast news organizations, programmers and private enterprise customers.

We depend on DISH Network for a significant portion of the revenue for our EchoStar Satellite Services segment and we expect that DISH Network will continue to be the primary source of revenue for our EchoStar Satellite Services segment. Therefore, the results of operations of our EchoStar Satellite Services segment are and will be closely linked to the performance of DISH Network s pay-TV service as well as changes in DISH Network s satellite capacity requirements. We continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. Revenue growth in our EchoStar Satellite Services segment is a function of available satellite capacity to sell. The satellites we currently have under construction are expected to ultimately produce revenue once launched and placed into operation, and therefore, anything that interferes with our construction and launch schedules will impact our expected revenue growth. In addition, any disruption in planned renewals of our service arrangements could impact customer commitments and have an impact on our revenue and financial performance. Technical issues, regulatory and licensing issues, manufacturer performance/stability and availability of capital to continue to fund our programs also are factors in achieving our business plans for this segment.

In August 2014, we entered into: (i) a construction contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-band, Ku-band and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. (SES) pursuant to which we will transfer the title to the C-band and Ka-band payloads to SES Satellite Leasing Limited at launch and transfer the title to the Ku-band payload to SES following in-orbit testing of the satellite. Additionally, SES will provide to us satellite service on the entire Ku-band payload on EchoStar 105/SES-11 for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. We expect to account for the satellite service we receive from SES on the Ku-band payload as a prepaid capital lease with a term equal to the 15-year estimated life of the satellite.

As of September 30, 2014 and December 31, 2013, our EchoStar Satellite Services segment had contracted revenue backlog attributable to satellites currently in orbit of approximately $1.81 billion and $1.14 billion, respectively. The increase in backlog is primarily the result of additional satellite services on EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV provided to DISH Network beginning

March 1, 2014, pursuant to the Satellite and Tracking Stock Transaction.

New Business Opportunities

We are exploring opportunities to selectively pursue partnerships, joint ventures and strategic acquisition opportunities, domestically and internationally, that we believe may allow us to increase our existing market share, expand into new markets, broaden our portfolio of products and intellectual property, and strengthen our relationships with our customers.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

In 2012, we acquired the right to use various frequencies at the 45 degree west longitude orbital location (Brazilian Authorization) from ANATEL, the Brazilian communications regulatory agency. The Brazilian Authorization provides us the rights to utilize Ku-band spectrum for Broadband Satellite Service (BSS), Ka-band spectrum and S-band spectrum. With regards to the Ku-band BSS spectrum, we continue to pursue various opportunities to support a Brazilian service and remain focused on delivering a pay-TV service to Brazil via a high-powered BSS satellite. We are exploring options for the Ka-band and S-band spectrums.

In December 2013, we acquired 100.0% of Solaris Mobile, which is based in Dublin, Ireland and licensed by the European Union (EU) and individual EU Member States to provide mobile satellite services and complementary ground component services covering the entire EU using S-band spectrum. We are in the planning process for commercial services, utilizing our existing EUTELSAT 10A (also known as W2A) satellite, along with our EchoStar XXI S-band satellite, in the first half of 2016.

In April 2014, we entered into an agreement with Space Systems Loral, LLC for the construction of the EchoStar XXIII satellite, a high powered BSS satellite. This agreement superseded and replaced the current CMBStar construction contract. EchoStar XXIII is expected to be delivered for launch in the third quarter of 2016.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

RESULTS OF OPERATIONS

Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

Statements of Operations Data (1)	For the Three Months Ended September 30, 2014	2013	Variance Amount	%
		(Dollars in thousands)		
Revenue:				
Equipment revenue - DISH Network	$ 299,050	$ 360,744	$ (61,694)	(17.1)
Equipment revenue - other	101,927	77,084	24,843	32.2
Services and other revenue - DISH Network	215,935	163,067	52,868	32.4
Services and other revenue - other	278,928	248,013	30,915	12.5
Total revenue	895,840	848,908	46,932	5.5
Costs and Expenses:				
Cost of sales - equipment	340,159	378,665	(38,506)	(10.2)
% of Total equipment revenue	**84.8%**	**86.5%**		
Cost of sales - services and other	212,298	203,268	9,030	4.4
% of Total services and other revenue	**42.9%**	**49.4%**		
Selling, general and administrative expenses	93,127	84,299	8,828	10.5
% of Total revenue	**10.4%**	**9.9%**		
Research and development expenses	15,685	17,030	(1,345)	(7.9)
% of Total revenue	**1.8%**	**2.0%**		
Depreciation and amortization	142,294	124,742	17,552	14.1
Total costs and expenses	803,563	808,004	(4,441)	(0.5)
Operating income	92,277	40,904	51,373	*
Other Income (Expense):				
Interest income	2,270	2,982	(712)	(23.9)
Interest expense, net of amounts capitalized	(41,688)	(47,713)	6,025	(12.6)
Realized gains (losses) on marketable investment securities and other investments, net	(27)	1,754	(1,781)	*
Other, net	11,713	1,021	10,692	*
Total other expense, net	(27,732)	(41,956)	14,224	(33.9)
Income (loss) before income taxes	64,545	(1,052)	65,597	*
Income tax benefit (provision), net	(6,108)	5,689	(11,797)	*
Net income	58,437	4,637	53,800	*
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(2,106)		(2,106)	*
Less: Net income attributable to other noncontrolling interests	375	317	58	18.3
Net income attributable to EchoStar	$ 60,168	$ 4,320	$ 55,848	*
Other Data:				
EBITDA	$ 247,988	$ 168,104	$ 79,884	47.5
Subscribers, end of period	960,000	807,000	153,000	19.0

* Percentage is not meaningful.

(1) An explanation of our key metrics is included on pages 64 through 65.

Equipment revenue DISH Network. Equipment revenue DISH Network totaled $299.1 million for the three months ended September 30, 2014, a decrease of $61.7 million, or 17.1%, compared to the same period in 2013.

Equipment revenue DISH Network from our EchoStar Technologies segment for the three months ended September 30, 2014 decreased by $48.5 million, or 14.2%, to $292.7 million compared to the same period in 2013. Our EchoStar Technologies segment offers multiple set-top boxes with different price points depending on their capabilities and functionalities. The revenue and associated margins we earn on sales

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

are determined largely through periodic negotiations that could result in prices reflecting, among other things, the set-top boxes and other equipment that meet DISH Network s current sales and marketing priorities, the product and service alternatives available from other equipment suppliers, our ability to respond to DISH Network s requirements, and our ability to differentiate ourselves from other equipment suppliers on bases other than pricing. In addition, products containing new technologies and features typically have higher initial prices, which reduce over time as a result of manufacturing efficiencies, demand decreases or as DISH Network s demand changes for new or refurbished units. The decrease in revenue for the three months ended September 30, 2014 was primarily due to a 10.7% decrease in the weighted average price of set-top boxes, an 8.1% decrease in the unit sales of set-top boxes, and a 9.3% decrease in unit sales of related accessories, partially offset by a 0.6% increase in the weighted average price of related accessories.

Equipment revenue DISH Network from our Hughes segment for the three months ended September 30, 2014 decreased by $13.2 million, or 67.6%, to $6.4 million compared to the same period in 2013. The decrease was primarily due to the decrease in the unit sales of new wholesale equipment to dishNET.

Equipment revenue other. Equipment revenue other totaled $101.9 million for the three months ended September 30, 2014, an increase of $24.8 million or 32.2%, compared to the same period in 2013.

Equipment revenue other from our EchoStar Technologies segment for the three months ended September 30, 2014 increased by $12.3 million, or 37.2%, to $45.3 million compared to the same period in 2013. The increase was attributable to a 305.0% increase in unit sales of set-top boxes and a 99.5% increase in unit sales of accessories primarily related to sales to Dish Mexico. These increases were partially offset by a 64.6% decrease in the weighted average price of set-top boxes and a 37.5% decrease in the weighted average price of accessories for the three months ended September 30, 2014 compared to the same period in 2013 primarily due to the increase in sales of remanufactured set-top boxes and associated accessories by DISH Mexico.

Equipment revenue other from our Hughes segment for the three months ended September 30, 2014 increased by $12.5 million, or 28.5%, to $56.6 million compared to the same period in 2013. The increase was mainly due to a $9.9 million increase in sales of telecom system equipment and an increase in sales of broadband equipment of $2.8 million to our international customers.

Services and other revenue DISH Network. Services and other revenue DISH Network totaled $215.9 million for the three months ended September 30, 2014, an increase of $52.9 million or 32.4%, compared to the same period in 2013.

Services and other revenue DISH Network from our EchoStar Technologies segment for the three months ended September 30, 2014 increased by $1.4 million, or 1.9%, to $79.2 million compared to the same period in 2013. The increase was primarily due to an increase of $1.8 million in revenue earned for engineering services and an increase of $0.4 million related to the development of web-based applications for set-top boxes sold to DISH Network. The increases were partially offset by a decrease of $0.7 million in revenue earned from the sales of satellite uplink/downlink services sold to DISH Network.

Services and other revenue   DISH Network from our Hughes segment for the three months ended September 30, 2014 increased by $8.4 million, or 65.8%, to $21.3 million compared to the same period in 2013. The increase was primarily attributable to an increase in wholesale subscribers receiving services from dishNET.

Services and other revenue   DISH Network from our EchoStar Satellite Services segment for the three months ended September 30, 2014 increased by $41.7 million, or 62.8%, to $108.1 million compared to the same period in 2013. The increase was mainly due to an increase of $44.4 million in revenue recognized from the services provided for certain satellite capacity to DISH Network on the five satellites transferred to us from DISH Network as part of the Satellite and Tracking Stock Transaction. The increase was partially offset by a decrease of $1.1 million in services provided to DISH Network on the EchoStar XII satellite.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Services and other revenue other. Services and other revenue other totaled $278.9 million for the three months ended September 30, 2014, an increase of $30.9 million, or 12.5%, compared to the same period in 2013.

Services and other revenue other from our EchoStar Technologies segment for the three months ended September 30, 2014 increased by $1.7 million, or 40.3%, to $5.8 million compared to the same period in 2013. The increase was primarily attributable to an increase of $2.4 million in revenue earned from system integration solutions, partially offset by a $0.4 million decrease in revenue for non-recurring engineering projects.

Services and other revenue other from our Hughes segment for the three months ended September 30, 2014 increased by $29.1 million, or 12.9%, to $254.9 million compared to the same period in 2013. The increase was primarily attributable to an increase in sales of broadband services to our consumer and international customers.

Cost of sales equipment. Cost of sales equipment totaled $340.2 million for the three months ended September 30, 2014, a decrease of $38.5 million, or 10.2%, compared to the same period in 2013.

Cost of sales equipment from our EchoStar Technologies segment for the three months ended September 30, 2014 decreased by $34.6 million, or 10.8%, to $285.5 million compared to the same period in 2013. The decrease was primarily attributable to a decrease in equipment costs of $44.0 million directly related to a decrease in sales of set-top boxes and related accessories sold to DISH Network. The decrease was partially offset by an increase of $8.4 million in cost of sales related to the increase in sales of set-top boxes and related accessories to Dish Mexico and our other international customers and an increase of $1.9 million in costs of sales related to the sales of peripheral equipment.

Cost of sales equipment from our Hughes segment for the three months ended September 30, 2014 decreased by $3.9 million, or 6.6%, to $54.7 million compared to the same period in 2013. The decrease was primarily attributable to a decrease of $9.3 million in the cost of sales of broadband equipment sold to dishNET due to the decrease in sales of new equipment and increased sales of reconditioned equipment as compared to the same period in 2013. This decrease was partially offset by a $5.8 million increase in cost of sales of telecom system equipment.

Cost of sales services and other. Cost of sales services and other totaled $212.3 million for the three months ended September 30, 2014, an increase of $9.0 million, or 4.4%, compared to the same period in 2013.

Cost of sales services and other from our EchoStar Technologies segment for the three months ended September 30, 2014 increased by $3.3 million, or 5.9%, to $60.1 million compared to the same period in 2013. The increase was primarily the result of a $2.5 million increase in support costs related to uplink services and a $1.3 million increase in cost of services related to nonrecurring engineering projects provided in the third quarter of 2014 compared to the same period in 2013.

Cost of sales services and other from our Hughes segment for the three months ended September 30, 2014 increased by $6.4 million, or 5.5%, to $121.8 million compared to the same period in 2013. The increase was primarily attributable to an increase in cost of sales as a result of an increase in sales of broadband services to our consumer and international customers.

Selling, general and administrative expenses. Selling, general and administrative expenses totaled $93.1 million for the three months ended September 30, 2014, an increase of $8.8 million or 10.5%, compared to the same period in 2013. The increase was mainly due to a $5.2 million increase in marketing and promotional expenses primarily in our Hughes segment and a $3.5 million increase in personnel and other employee-related expenses and professional fees.

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Research and development. Research and development expenses totaled $15.7 million for the three months ended September 30, 2014, a decrease of $1.3 million or 7.9%, compared to the same period in 2013. The decrease was primarily related to a decrease in research and development expense of $0.7 million and $0.6 million related to our EchoStar Technologies segment and Hughes segment, respectively. The Company s research and development activities vary based on the activity level and scope of other engineering and customer related development contracts.

Depreciation and amortization. Depreciation and amortization expense totaled $142.3 million for the three months ended September 30, 2014, an increase of $17.6 million or 14.1%, compared to the same period in 2013. The increase was primarily related to an increase in depreciation of $11.9 million from our EchoStar Satellite Services segment, primarily due to the depreciation of the additional five satellites we received from DISH Network as part of the Satellite and Tracking Stock Transaction, an increase in depreciation of $5.3 million associated with customer rental equipment from our Hughes segment, an increase in amortization of $1.6 million from the regulatory authorizations with finite useful lives and an increase in amortization of $1.5 million associated with capitalized software from our Hughes segment. The increase was partially offset by a decrease in amortization of $2.5 million associated with certain intangible assets from our Hughes segment.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled $41.7 million for the three months ended September 30, 2014, a decrease of $6.0 million or 12.6%, compared to the same period in 2013. The decrease was due to higher capitalized interest associated with the construction of our EchoStar XIX, TerreStar-2/EchoStar XXI, EchoStar XXIII, and EUTELSAT 65 West A satellites.

Realized gains on marketable investment securities and other investments, net. Realized gains on marketable investment securities and other investments, net totaled $27.0 thousand for the three months ended September 30, 2014, a decrease of $1.8 million compared to the same period in 2013. The decrease was primarily related to a gain of $1.6 million recognized from the sale of a strategic investment in a public company in 2013.

Other, net. Other, net totaled $11.7 million in expenses for the three months ended September 30, 2014, an increase of $10.7 million, compared to the same period in 2013. The increase was primarily related to a $10.3 million non-recurring adjustment to increase our equity in earnings of unconsolidated affiliates to reflect an increase from 24.0% to 49.0% in our interest in Dish Mexico s inception-to-date net income. See Note 6 for more information regarding our investment in Dish Mexico.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $248.0 million for the three months ended September 30, 2014, an increase of $79.9 million, or 47.5%, compared to the same period in 2013. The increase was primarily due to an increase in operating income, excluding depreciation and amortization, of $68.9 million and an increase of $12.5 million related to our equity in earnings from unconsolidated affiliates for the three months ended September 30, 2014. The increase in the third quarter of 2014 was partially offset by a gain of $1.6 million recognized from the sale of a strategic investment in a public company in 2013. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Income (loss) before income taxes, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Three Months Ended September 30, 2014	2013	Variance Amount	%
	(Dollars in thousands)			
EBITDA	$ 247,988	$ 168,104	$ 79,884	47.5
Interest income and expense, net	(39,418)	(44,731)	5,313	(11.9)
Depreciation and amortization	(142,294)	(124,742)	(17,552)	14.1
Net loss attributable to noncontrolling interest in HSS Tracking Stock	(2,106)		(2,106)	*
Net income attributable to other noncontrolling interests	375	317	58	18.3
Income (loss) before income taxes	$ 64,545	$ (1,052)	$ 65,597	*

*Percentage is not meaningful.

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Income tax benefit (provision), net. Income tax expense was $6.1 million for the three months ended September 30, 2014, compared to an income tax benefit of $5.7 million for the same period in 2013. Our effective income tax rate was 9.5% for the three months ended September 30, 2014 compared to 540.8% for the same period in 2013. The variation in our current period effective tax rate from a U.S. federal statutory rate for the current period was primarily due to changes of our valuation allowance associated with realized and unrealized losses that are capital in nature, research and experimentation tax credits, and a lower state effective tax rate. For the same period in 2013, the variation in our effective tax rate from a U.S. federal statutory rate was primarily due to the decrease of our valuation allowance associated with realized and unrealized losses that are capital in nature and current year research and experimentation tax credits, as provided by the American Taxpayer Relief Act enacted on January 2, 2013.

Net income (loss) attributable to EchoStar. Net income attributable to EchoStar was $60.2 million for the three months ended September 30, 2014, an increase of $55.8 million, compared to the same period in 2013. The increase was primarily attributable to higher operating income, including depreciation and amortization, of $51.4 million, a decrease in capitalization of interest expense of $6.0 million associated with the construction of the EchoStar XIX, TerreStar-2/EchoStar XXI, EchoStar XXIII, and EUTELSAT 65 West A satellites and an increase of $12.5 million in equity in earnings of unconsolidated affiliates, net. The increase in Net income attributable to EchoStar was partially offset by an increase of $11.8 million in income tax provision and gains of $1.6 million recognized from the sale of a strategic investment in a public company in the same period in 2013.

Segment Operating Results and Capital Expenditures

Three Months Ended September 30, 2014 Compared to the Three Months Ended September 30, 2013

For the Three Months Ended September 30, 2014	EchoStar Technologies	Hughes	EchoStar Satellite Services (In thousands)	All Other and Eliminations	Consolidated Total
Total revenue	$ 423,090	$ 339,068	$ 127,604	$ 6,078	$ 895,840
Capital expenditures	$ 10,485	$ 56,724	$ 11,772	$ 85,730	$ 164,711
EBITDA	$ 37,416	$ 94,955	$ 111,563	$ 4,054	$ 247,988
For the Three Months Ended September 30, 2013					
Total revenue	$ 456,129	$ 302,217	$ 85,945	$ 4,617	$ 848,908
Capital expenditures	$ 16,246	$ 49,443	$ 71	$ 40,811	$ 106,571
EBITDA	$ 42,975	$ 65,620	$ 68,808	$ (9,299)	$ 168,104

EchoStar Technologies Segment

	For the Three Months Ended September 30, 2014	2013	Variance Amount	%
	(Dollars in thousands)			
Total revenue	$ 423,090	$ 456,129	$ (33,039)	(7.2)
Capital expenditures	$ 10,485	$ 16,246	$ (5,761)	(35.5)
EBITDA	$ 37,416	$ 42,975	$ (5,559)	(12.9)

Revenue

EchoStar Technologies segment total revenue for the three months ended September 30, 2014 decreased by $33.0 million, or 7.2%, compared to the same period in 2013, primarily resulting from a decrease of $47.0 million in both service and equipment revenue from DISH Network, partially offset by an increase of $14.0 million in other equipment and service revenue.

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Capital Expenditures

EchoStar Technologies segment capital expenditures for the three months ended September 30, 2014 decreased by $5.8 million, or 35.5%, compared to the same period in 2013, primarily due to decreased expenditures related to our digital broadcast centers of $6.1 million.

EBITDA

EchoStar Technologies segment EBITDA for the three months ended September 30, 2014 was $37.4 million, a decrease of $5.6 million, or 12.9%, compared to the same period in 2013. The decrease in EBITDA for our EchoStar Technologies segment was primarily driven by a decrease of $2.6 million in foreign exchange gains, an increase of $2.0 million in selling, general and administrative expenses, and a decrease of $1.7 million in gross margin.

Hughes Segment

	For the Three Months Ended September 30,		Variance	
	2014	2013	Amount	%
	(Dollars in thousands)			
Total revenue	$ 339,068	$ 302,217	$ 36,851	12.2
Capital expenditures	$ 56,724	$ 49,443	$ 7,281	14.7
EBITDA	$ 94,955	$ 65,620	$ 29,335	44.7

Revenue

Hughes segment total revenue for the three months ended September 30, 2014 increased by $36.9 million, or 12.2%, compared to the same period in 2013, primarily due to an increase in equipment and service revenue of $41.7 million mainly attributable to an increase in sales of broadband services to our consumer and international customers, an increase in sales of telecom system equipment, and an increase of $8.4 million in service revenue from DISH Network due to the increase in wholesale subscribers on dishNET. The increase in revenue was partially offset by a decrease in equipment revenue from DISH Network of $13.2 million.

Capital Expenditures

Hughes segment capital expenditures for the three months ended September 30, 2014 increased by $7.3 million, or 14.7%, compared to the same period in 2013, primarily the result of an increase in expenditures on EUTELSAT 65 West A and EchoStar XIX ground infrastructure.

EBITDA

Hughes segment EBITDA for the three months ended September 30, 2014 was $95.0 million, an increase of $29.3 million, or 44.7%, compared to the same period in 2013. The increase was primarily the result of an increase in gross margin of $34.3 million partially offset by a $6.2 million increase in selling, general and administrative expenses.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

EchoStar Satellite Services Segment

	For the Three Months Ended September 30,		Variance	
	2014	2013	Amount	%
	(Dollars in thousands)			
Total revenue	$ 127,604	$ 85,945	$ 41,659	48.5
Capital expenditures	$ 11,772	$ 71	$ 11,701	*
EBITDA	$ 111,563	$ 68,808	$ 42,755	62.1

Revenue

EchoStar Satellite Services segment total revenue for the three months ended September 30, 2014 increased by $41.7 million, or 48.5%, compared to the same period in 2013, due to a $44.4 million increase in service revenue, primarily related to satellite services provided to DISH Network as part of the Satellite and Tracking Stock Transaction. The increase was partially offset by a decrease of $1.1 million in services provided to DISH Network on the EchoStar XII satellite.

Capital Expenditures

EchoStar Satellite Services segment capital expenditures for the three months ended September 30, 2014 increased by $11.7 million, compared to the same period in 2013, primarily related to the increase in satellite expenditures on the EchoStar 105/SES-11 satellite.

EBITDA

EchoStar Satellite Services segment EBITDA for the three months ended September 30, 2014 was $111.6 million, an increase of $42.8 million, or 62.1%, compared to the same period in 2013. The increase in EBITDA for our EchoStar Satellite Services segment was primarily due to an increase of $42.4 million in gross margin.

All Other and Eliminations

All Other and Eliminations accounts for certain items and activities in our condensed consolidated financial statements that have not been assigned to our operating segments. These include real estate and other activities, costs incurred in satellite development programs and other business development activities, expenses of various corporate departments, and our centralized treasury activities, including income from our investment portfolio and interest expense on our debt.

Capital Expenditures

For the three months ended September 30, 2014, All Other and Eliminations capital expenditures increased by $44.9 million compared to the same period in 2013, primarily related to the increase in satellite expenditures on the EchoStar XXIII satellite of $26.2 million, the EchoStar XIX satellite of $13.1 million, and the TerreStar-2/EchoStar XXI satellite of $7.9 million. The EchoStar XIX satellite is expected to be used in the operations of our Hughes segment and the TerreStar-2/EchoStar XXI satellite is intended to be used by Solaris Mobile in providing mobile satellite services in the European Union.

EBITDA

All Other and Eliminations EBITDA for the three months ended September 30, 2014 was a gain of $4.1 million, compared to a loss of $9.3 million for the same period in 2013. The $13.4 million increase in EBITDA was primarily due to an increase of $12.5 million in equity in earnings of unconsolidated affiliates, net

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Nine Months Ended September 30, 2014 Compared to the Nine Months Ended September 30, 2013

Statements of Operations Data (1)	For the Nine Months Ended September 30, 2014	2013	Variance Amount	%
	(Dollars in thousands)			
Revenue:				
Equipment revenue - DISH Network	$ 907,466	$ 1,003,612	$ (96,146)	(9.6)
Equipment revenue - other	265,890	270,049	(4,159)	(1.5)
Services and other revenue - DISH Network	609,552	457,055	152,497	33.4
Services and other revenue - other	818,783	743,649	75,134	10.1
Total revenue	2,601,691	2,474,365	127,326	5.1
Costs and Expenses:				
Cost of sales - equipment	998,205	1,097,557	(99,352)	(9.1)
% of Total equipment revenue	**85.1%**	**86.2%**		
Cost of sales - services and other	626,660	571,892	54,768	9.6
% of Total services and other revenue	**43.9%**	**47.6%**		
Selling, general and administrative expenses	271,251	268,861	2,390	0.9
% of Total revenue	**10.4%**	**10.9%**		
Research and development expenses	44,841	50,878	(6,037)	(11.9)
% of Total revenue	**1.7%**	**2.1%**		
Depreciation and amortization	416,167	379,585	36,582	9.6
Impairment of long-lived asset		34,664	(34,664)	(100.0)
Total costs and expenses	2,357,124	2,403,437	(46,313)	(1.9)
Operating income	244,567	70,928	173,639	*
Other Income (Expense):				
Interest income	7,015	6,941	74	1.1
Interest expense, net of amounts capitalized	(132,419)	(145,485)	13,066	(9.0)
Realized gains on marketable investment securities and other investments, net	7	39,184	(39,177)	(100.0