DISH Network CORP
Form 10-Q
May 11, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015.

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 0-26176

DISH Network Corporation

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**88-0336997** (I.R.S. Employer Identification No.)
9601 South Meridian Boulevard **Englewood, Colorado** (Address of principal executive offices)	**80112** (Zip code)

(303) 723-1000

(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 £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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 £

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if 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 £ No x

As of April 30, 2015, the registrant s outstanding common stock consisted of 224,363,507 shares of Class A common stock and 238,435,208 shares of Class B common stock.

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

	Disclosure Regarding Forward-Looking Statements	i
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets March 31, 2015 and December 31, 2014 (Unaudited)	1
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) For the Three Months Ended March 31, 2015 and 2014 (Unaudited)	2
	Condensed Consolidated Statements of Cash Flows For the Three Months Ended March 31, 2015 and 2014 (Unaudited)	3
	Notes to Condensed Consolidated Financial Statements (Unaudited)	4
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	45
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	61
Item 4.	Controls and Procedures	62

PART II OTHER INFORMATION

Item 1.	Legal Proceedings	62
Item 1A.	Risk Factors	62
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	62
Item 3.	Defaults Upon Senior Securities	None
Item 4.	Mine Safety Disclosures	None
Item 5.	Other Information	None
Item 6.	Exhibits	63
	Signatures	64

Table of Contents

PART I FINANCIAL INFORMATION

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 plans, objectives and strategies, growth opportunities in our industries and businesses, our expectations regarding future results, financial condition, liquidity and capital requirements, our estimates regarding the impact of regulatory developments and legal proceedings, and other trends and projections. Forward-looking statements are not historical facts and may be identified by words such as future, anticipate, intend, plan, goal, seek, believe, estimate, expect, predict, will, would, could, c These forward-looking statements are based on information available 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 known and unknown risks, uncertainties and other factors, which may be beyond our control. 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, the following:

Competition and Economic Risks Affecting our Business

- We face intense and increasing competition from satellite television providers, cable companies and telecommunications companies, especially as the pay-TV industry has matured, which may require us to further increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn.

- Competition from digital media companies that provide or facilitate the delivery of video content via the Internet may reduce our gross new subscriber activations and may cause our subscribers to purchase fewer services from us or to cancel our services altogether, resulting in less revenue to us.

- Economic weakness and uncertainty may adversely affect our ability to grow or maintain our business.

- Our competitors may be able to leverage their relationships with programmers to reduce their programming costs and offer exclusive content that will place them at a competitive advantage to us.

- As a new service offering, our over-the-top or OTT Internet-based services face certain risks, including, among others, significant competition.

- We face increasing competition from other distributors of unique programming services such as foreign language and sports programming that may limit our ability to maintain subscribers that desire these unique programming services.

Operational and Service Delivery Risks Affecting our Business

- If we do not continue improving our operational performance and customer satisfaction, our gross new subscriber activations may decrease and our subscriber churn may increase.

- If our gross new subscriber activations decrease, or if our subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.

- Programming expenses are increasing and could adversely affect our future financial condition and results of operations.

- We depend on others to provide the programming that we offer to our subscribers and, if we lose access to this programming, our gross new subscriber activations may decline and our subscriber churn may increase.

- We may not be able to obtain necessary retransmission consent agreements at acceptable rates, or at all, from local network stations.

- We may be required to make substantial additional investments to maintain competitive programming offerings.

Table of Contents

- Any failure or inadequacy of our information technology infrastructure and communications systems could disrupt or harm our business.

- We currently depend on EchoStar Corporation and its subsidiaries, or EchoStar, to design, develop and manufacture substantially all of our new set-top boxes and certain related components, to provide the vast majority of our transponder capacity, to provide digital broadcast operations and other services to us, and to provide the IPTV streaming technology for our OTT services. Our business would be adversely affected if EchoStar ceases to provide these products and services to us and we are unable to obtain suitable replacement products and services from third parties.

- We operate in an extremely competitive environment and our success may depend in part on our timely introduction and implementation of, and effective investment in, new competitive products and services, the failure of which could negatively impact our business.

- Technology in our industry changes rapidly and our inability to offer new subscribers and upgrade existing subscribers with more advanced equipment could cause our products and services to become obsolete.

- We rely on a single vendor or a limited number of vendors to provide certain key products or services to us such as information technology support, billing systems, and security access devices, and the inability of these key vendors to meet our needs could have a material adverse effect on our business.

- Our primary supplier of new set-top boxes, EchoStar, relies on a few suppliers and in some cases a single supplier, for many components of our new set-top boxes, and any reduction or interruption in supplies or significant increase in the price of supplies could have a negative impact on our business.

- Our programming signals are subject to theft, and we are vulnerable to other forms of fraud that could require us to make significant expenditures to remedy.

- We depend on third parties to solicit orders for our services that represent a significant percentage of our total gross new subscriber activations.

- We have limited satellite capacity and failures or reduced capacity could adversely affect our business.

- Our owned and leased satellites are subject to construction, launch, operational and environmental risks that could limit our ability to utilize these satellites.

- We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and could face significant impairment charges if any of our owned satellites fail.

- We may have potential conflicts of interest with EchoStar due to our common ownership and management.

- We rely on key personnel and the loss of their services may negatively affect our businesses.

Acquisition and Capital Structure Risks Affecting our Business

- We have made substantial investments to acquire certain wireless spectrum licenses and other related assets. In addition, we have made substantial non-controlling investments in the Northstar Entities and the SNR Entities related to the AWS-3 Auction.

- To the extent that we commercialize our wireless spectrum licenses, we will face certain risks entering and competing in the wireless services industry and operating a wireless services business.

- We face certain risks related to our non-controlling investments in the Northstar Entities and the SNR Entities, which may have a material adverse effect on our business, results of operations and financial condition.

- We may pursue acquisitions and other strategic transactions to complement or expand our businesses that may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.

- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our businesses and to finance acquisitions and other strategic transactions.

Table of Contents

- From time to time a portion of our investment portfolio may be invested in securities that have limited liquidity and may not be immediately accessible to support our financing needs, including investments in public companies that are highly speculative and have experienced and continue to experience volatility.

- We have substantial debt outstanding and may incur additional debt.

- It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders, because of our ownership structure.

- We are controlled by one principal stockholder who is also our Chairman, President and Chief Executive Officer.

Legal and Regulatory Risks Affecting our Business

- Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others.

- We are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business, particularly lawsuits regarding intellectual property.

- Our ability to distribute video content via the Internet, including our OTT services, involves regulatory risk.

- Changes in the Cable Act of 1992 (Cable Act), and/or the rules of the Federal Communications Commission (FCC) that implement the Cable Act, may limit our ability to access programming from cable-affiliated programmers at nondiscriminatory rates.

- The injunction against our retransmission of distant networks, which is currently waived, may be reinstated.

- We are subject to significant regulatory oversight, and changes in applicable regulatory requirements, including any adoption or modification of laws or regulations relating to the Internet, could adversely affect our business.

- Our business depends on FCC licenses that can expire or be revoked or modified and applications for FCC licenses that may not be granted.

- We are subject to digital high-definition (HD) carry-one, carry-all requirements that cause capacity constraints.

- Our business, investor confidence in our financial results and stock price may be adversely affected if our internal controls are not effective.

- We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or SEC.

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 I, Item 1A of our most recent Annual Report on Form 10-K (the 10-K) filed with the 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 or referred to herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described or referred to herein and should not place undue reliance on any forward-looking statements. The forward-looking statements speak only as of the date made, and we expressly disclaim any obligation to update these forward-looking statements.

Unless otherwise required by the context, in this report, the words DISH Network, the Company, we, our and us refer to DISH Network Corporation and its subsidiaries, EchoStar refers to EchoStar Corporation and its subsidiaries, and DISH DBS refers to DISH DBS Corporation and its subsidiaries, a wholly-owned, indirect subsidiary of DISH Network.

Table of Contents

Item 1. FINANCIAL STATEMENTS

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

(Unaudited)

	As of	
	March 31, 2015	**December 31, 2014**
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,049,897	$ 7,104,496
Marketable investment securities	349,146	2,131,745
Trade accounts receivable - other, net of allowance for doubtful accounts of $15,895 and $23,603, respectively	887,670	920,103
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	40,841	31,390
Inventory	484,747	493,754
Deferred tax assets	25,667	25,667
Derivative financial instruments (Note 2)	451,071	383,460
FCC auction deposits	9,995,567	1,320,000
Other current assets	128,994	167,119
Total current assets	13,413,600	12,577,734
Noncurrent Assets:		
Restricted cash and marketable investment securities	86,984	86,984
Property and equipment, net	3,786,400	3,773,539
FCC authorizations	4,968,171	4,968,171
Other investment securities	327,250	327,250
Other noncurrent assets, net	342,800	337,530
Total noncurrent assets	9,511,605	9,493,474
Total assets	$ 22,925,205	$ 22,071,208
Liabilities and Stockholders Equity (Deficit)		
Current Liabilities:		
Trade accounts payable - other	$ 198,434	$ 165,324
Trade accounts payable - EchoStar	270,168	251,669
Deferred revenue and other	917,144	891,373
Accrued programming	1,500,079	1,376,130
Accrued interest	217,166	227,158
Other accrued expenses	639,497	519,404
Current portion of long-term debt and capital lease obligations	2,182,175	681,467
Total current liabilities	5,924,663	4,112,525
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	12,240,749	13,746,059
Deferred tax liabilities	1,938,598	1,882,711
	283,977	276,281

Long-term deferred revenue, distribution and carriage payments and other long-term liabilities				
Total long-term obligations, net of current portion		14,463,324		15,905,051
Total liabilities		20,387,987		20,017,576
Commitments and Contingencies (Note 10)				
Redeemable noncontrolling interests (Note 2)		248,837		41,498
Stockholders Equity (Deficit):				
Class A common stock, $.01 par value, 1,600,000,000 shares authorized, 280,004,955 and 279,406,646 shares issued, 223,886,695 and 223,288,386 shares outstanding, respectively		2,800		2,794
Class B common stock, $.01 par value, 800,000,000 shares authorized, 238,435,208 shares issued and outstanding		2,384		2,384
Additional paid-in capital		2,700,376		2,678,791
Accumulated other comprehensive income (loss)		79,031		174,507
Accumulated earnings (deficit)		1,075,477		723,992
Treasury stock, at cost		(1,569,459)		(1,569,459)
Total DISH Network stockholders equity (deficit)		2,290,609		2,013,009
Noncontrolling interests		(2,228)		(875)
Total stockholders equity (deficit)		2,288,381		2,012,134
Total liabilities and stockholders equity (deficit)	$	22,925,205	$	22,071,208

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

Table of Contents

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	**2014**
Revenue:		
Subscriber-related revenue	$ 3,688,920	$ 3,556,187
Equipment sales and other revenue	22,467	22,239
Equipment sales, services and other revenue - EchoStar	12,841	15,772
Total revenue	3,724,228	3,594,198
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):		
Subscriber-related expenses	2,162,766	2,069,132
Satellite and transmission expenses	186,840	149,496
Cost of sales - equipment, services and other	39,448	27,793
Subscriber acquisition costs:		
Cost of sales - subscriber promotion subsidies	52,925	62,875
Other subscriber acquisition costs	208,573	252,464
Subscriber acquisition advertising	135,421	133,807
Total subscriber acquisition costs	396,919	449,146
General and administrative expenses	208,180	203,113
Depreciation and amortization (Note 8)	246,212	249,220
Total costs and expenses	3,240,365	3,147,900
Operating income (loss)	483,863	446,298
Other Income (Expense):		
Interest income	8,494	14,164
Interest expense, net of amounts capitalized	(156,313)	(175,994)
Other, net	120,289	(5,189)
Total other income (expense)	(27,530)	(167,019)
Income (loss) before income taxes	456,333	279,279
Income tax (provision) benefit, net	(103,081)	(108,462)
Net income (loss)	353,252	170,817
Less: Net income (loss) attributable to noncontrolling interests, net of tax	1,767	(5,114)
Net income (loss) attributable to DISH Network	$ 351,485	$ 175,931
Weighted-average common shares outstanding - Class A and B common stock:		
Basic	462,090	458,422
Diluted	464,046	461,361
Earnings per share - Class A and B common stock:		
Basic net income (loss) per share attributable to DISH Network	$ 0.76	$ 0.38
Diluted net income (loss) per share attributable to DISH Network	$ 0.76	$ 0.38

Comprehensive Income (Loss):				
Net income (loss)	$	353,252	$	170,817
Other comprehensive income (loss):				
Foreign currency translation adjustments				3,878
Unrealized holding gains (losses) on available-for-sale securities		7,422		9,983
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)		(59,487)		493
Deferred income tax (expense) benefit, net		(43,411)		(3,829)
Total other comprehensive income (loss), net of tax		(95,476)		10,525
Comprehensive income (loss)		257,776		181,342
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax		1,767		(5,114)
Comprehensive income (loss) attributable to DISH Network	$	256,009	$	186,456

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

Table of Contents

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	**2014**
Cash Flows From Operating Activities:		
Net income (loss)	$ 353,252	$ 170,817
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	246,212	249,220
Realized and unrealized losses (gains) on investments	(127,024)	1,521
Non-cash, stock-based compensation	7,709	9,863
Deferred tax expense (benefit)	12,477	25,088
Other, net	20,753	39,709
Changes in current assets and current liabilities, net	378,218	187,687
Net cash flows from operating activities from continuing operations	891,597	683,905
Net cash flows from operating activities from discontinued operations, net		(30,007)
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(13,507)	(1,290,940)
Sales and maturities of marketable investment securities	1,802,460	1,575,374
Purchases of property and equipment	(274,260)	(300,845)
H Block FCC license deposit (Note 10)		(1,235,866)
AWS-3 FCC license deposits (Note 10)	(9,075,567)	
AWS-3 FCC deposit refund (Note 10)	400,000	
Other, net	3,282	36,832
Net cash flows from investing activities from continuing operations	(7,157,592)	(1,215,445)
Net cash flows from investing activities from discontinued operations, net, including $0 and $0 of purchases of property and equipment, respectively		20,847
Cash Flows From Financing Activities:		
Repayment of long-term debt and capital lease obligations	(7,116)	(7,724)
Capital contributions from Northstar Manager and SNR Management (Note 10)	204,200	
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	6,345	6,014
Other, net	7,967	1,915
Net cash flows from financing activities from continuing operations	211,396	205
Net increase (decrease) in cash and cash equivalents from continuing operations	(6,054,599)	(531,335)
Cash and cash equivalents, beginning of period from continuing operations	7,104,496	4,700,022
Cash and cash equivalents, end of period from continuing operations	$ 1,049,897	$ 4,168,687
Net increase (decrease) in cash and cash equivalents from discontinued operations		(9,160)
Cash and cash equivalents, beginning of period from discontinued operations		9,160
Cash and cash equivalents, end of period from discontinued operations	$	$

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

3

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Business Activities

Principal Business

DISH Network Corporation is a holding company. Its subsidiaries (which together with DISH Network Corporation are referred to as DISH Network, the Company, we, us and/or our, unless otherwise required by the context) operate two primary business segments.

- ***DISH.*** The DISH® branded pay-TV service (DISH) had 13.844 million subscribers in the United States as of March 31, 2015. The DISH branded pay-TV service consists of, among other things, Federal Communications Commission (FCC) licenses authorizing us to use direct broadcast satellite (DBS) and Fixed Satellite Service (FSS) spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, a leased fiber optic network, in-home service and call center operations, and certain other assets utilized in our operations. In addition, we market broadband services under the dishNET brand, which had 0.591 million subscribers in the United States as of March 31, 2015. Our satellite broadband service utilizes advanced technology and high-powered satellites launched by Hughes Communications, Inc. (Hughes) and ViaSat, Inc. (ViaSat) to provide broadband coverage nationwide. This service primarily targets rural residents that are underserved, or unserved, by wireline broadband. In addition to the dishNET branded satellite broadband service, we also offer wireline voice and broadband services under the dishNET brand as a competitive local exchange carrier to consumers living in a 14-state region in the western United States. We primarily bundle our dishNET branded services with our DISH branded pay-TV service.

- ***Wireless***

- *DISH Spectrum.* We have invested over $5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. These wireless spectrum licenses are subject to certain interim and final build-out requirements. As we review our options for the commercialization of our wireless spectrum, we may incur significant additional expenses and may have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure, as well as the acquisition of additional wireless spectrum.

- *AWS-3 Auction.* On February 13, 2015, Northstar Wireless, LLC (Northstar Wireless) and SNR Wireless LicenseCo, LLC (SNR Wireless) each filed applications with the FCC to acquire certain AWS-3 wireless spectrum licenses (the AWS-3 Licenses) that were made available in the auction designated by the FCC as Auction 97 (the AWS-3 Auction) for which it was named as winning bidder and had made the required down payments. Issuance of any AWS-3 Licenses to Northstar Wireless (the Northstar Licenses) or SNR Wireless (the SNR Licenses) depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. We cannot predict the timing or the outcome of the FCC s review of those applications. We own an 85% non-controlling interest in each of Northstar

Spectrum, LLC (Northstar Spectrum) and SNR Wireless Holdco, LLC (SNR Holdco), the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless made the final payments to the FCC on March 2, 2015 for the Northstar Licenses and the SNR Licenses, respectively, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, were approximately $9.778 billion. Under the applicable accounting guidance in Accounting Standards Codification 810, Consolidation (ASC 810), Northstar Spectrum and SNR Holdco are considered variable interest entities and, based on the characteristics of the structure of these entities and in accordance with the applicable accounting guidance, we have consolidated these entities into our financial statements beginning in the fourth quarter 2014. See Note 2 for further discussion.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

In the event that the FCC grants the Northstar Licenses and the SNR Licenses, we may need to make significant additional loans to Northstar Spectrum and Northstar Wireless (collectively, the Northstar Entities) and to SNR Holdco and SNR Wireless (collectively, the SNR Entities), or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate the Northstar Licenses and the SNR Licenses, and comply with regulations applicable to the Northstar Licenses and the SNR Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities.

See Note 10 for further discussion.

2. 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 United States (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required for complete financial statements prepared under 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, 2014. Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and variable interest entities where we have been determined to be the primary beneficiary. Minority interests are recorded as noncontrolling interests or redeemable noncontrolling interests. See below for further discussion. Non-majority owned investments are accounted for using the equity method when we 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 an investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

Redeemable Noncontrolling Interests

Northstar Wireless. Northstar Wireless is a wholly owned subsidiary of Northstar Spectrum, which is an entity owned by Northstar Manager, LLC (Northstar Manager) and us. Under the applicable accounting guidance in ASC 810, Northstar Spectrum is considered a variable interest entity and, based on the characteristics of the structure of this entity and in accordance with the applicable accounting guidance, we have consolidated Northstar Spectrum into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of the Northstar Licenses, Northstar Manager has the ability, but not the obligation, to require Northstar Spectrum to purchase Northstar Manager s ownership interests in Northstar Spectrum (the Northstar Put Right) for a purchase price that equals its equity contribution to Northstar Spectrum plus a fixed annual rate of return. In the event that the Northstar Put Right is exercised by Northstar Manager, the consummation of the sale will be subject to FCC approval. Northstar Spectrum does not have a call right with respect to Northstar Manager s ownership interests in Northstar Spectrum. Although Northstar Manager is the sole manager of Northstar Spectrum, Northstar Manager s ownership interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of Redeemable noncontrolling interest in the mezzanine section of our Condensed Consolidated Balance Sheets. Northstar Manager s

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

ownership interest in Northstar Spectrum was initially accounted for at fair value. Subsequently, Northstar Manager s ownership interest in Northstar Spectrum is increased by the fixed annual rate of return through Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interest, net of tax on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The operating results of Northstar Spectrum attributable to Northstar Manager are recorded as Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 10 for further discussion on Northstar Wireless and the AWS-3 Auction.

SNR Wireless. SNR Wireless is a wholly owned subsidiary of SNR Holdco, which is an entity owned by SNR Wireless Management, LLC (SNR Management) and us. Under the applicable accounting guidance in ASC 810, SNR Holdco is considered a variable interest entity and, based on the characteristics of the structure of this entity and in accordance with the applicable accounting guidance, we have consolidated SNR Holdco into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of the SNR Licenses, SNR Management has the ability, but not the obligation, to require SNR Holdco to purchase SNR Management s ownership interests in SNR Holdco (the SNR Put Right) for a purchase price that equals its equity contribution to SNR Holdco plus a fixed annual rate of return. In the event that the SNR Put Right is exercised by SNR Management, the consummation of the sale will be subject to FCC approval. SNR Holdco does not have a call right with respect to SNR Management s ownership interests in SNR Holdco. Although SNR Management is the sole manager of SNR Holdco, SNR Management s ownership interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of Redeemable noncontrolling interest in the mezzanine section of our Condensed Consolidated Balance Sheets. SNR Management s ownership interest in SNR Holdco was initially accounted for at fair value. Subsequently, SNR Management s ownership interest in SNR Holdco is increased by the fixed annual rate of return through Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interest, net of tax on our Statements of Operations and Comprehensive Income (Loss). The operating results of SNR Holdco attributable to SNR Management are recorded as Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 10 for further discussion on SNR Wireless and the AWS-3 Auction.

Discontinued Operations

On April 26, 2011, we completed the acquisition of most of the assets of Blockbuster, Inc. As of December 31, 2013, Blockbuster had ceased material operations. The results of Blockbuster are presented for all periods as discontinued operations in our condensed consolidated financial statements. On January 14, 2014, we completed the sale of our Blockbuster operations in Mexico.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for each reporting period. Estimates are used in accounting for, among other things, allowances for doubtful accounts, self-insurance obligations, deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of options granted under our stock-based compensation plans, fair value of assets and liabilities acquired in business combinations, fair value of multi-element arrangements, capital leases, asset impairments, estimates of future cash flows used to evaluate impairments, useful lives of property, equipment and intangible assets, retailer incentives, programming expenses and subscriber lives. Economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. Actual results may differ from previously estimated amounts, and such

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

differences may be material to our Condensed Consolidated Financial Statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

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 apply 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 derivative financial instruments indexed to marketable investment securities; 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.

As of March 31, 2015 and December 31, 2014, the carrying value for cash and cash equivalents, trade accounts receivable (net of allowance for doubtful accounts) and current liabilities (excluding the Current portion of long-term debt and capital lease obligations) is equal to or approximates fair value due to their short-term nature or proximity to current market rates. See Note 6 for the fair value of our marketable investment securities and derivative financial instruments.

Fair values for our publicly traded debt securities are based on quoted market prices, when available. The fair values of private debt are estimated based on an analysis in which we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding, among other things, credit spreads, and the impact of these factors on the value of the debt securities. See Note 9 for the fair value of our long-term debt.

Derivative Financial Instruments

We may purchase and hold derivative financial instruments for, among other reasons, strategic or speculative purposes. We record all derivative financial instruments on our Condensed Consolidated Balance Sheets at fair value as either assets or liabilities. Changes in the fair values of derivative financial instruments are recognized in our results of operations and included in Other, net within Other Income (Expense) on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). We currently have not designated any derivative financial instrument for hedge accounting.

As of March 31, 2015 and December 31, 2014, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of $451 million and $383 million, respectively. The fair value of the derivative financial instruments is dependent on the trading price of the indexed common equity securities, which may be volatile and vary depending on, among other things, the issuer s financial and operational performance and market conditions.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 provides a framework for revenue recognition that replaces most existing GAAP revenue recognition guidance when it becomes effective. ASU 2014-09 will become effective for us on January 1, 2017, and allows for either a full retrospective or modified retrospective adoption. However, the FASB has proposed a potential one year deferral on the effective date for implementation of this standard. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected an adoption method nor have we determined the effect of the standard on our ongoing financial reporting.

3. Basic and Diluted Net Income (Loss) Per Share

We present both basic earnings per share (EPS) and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing Net income (loss) attributable to DISH Network by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised. The potential dilution from stock awards was computed using the treasury stock method based on the average market value of our Class A common stock. The following table presents EPS amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands, except per share amounts)	
Net income (loss)	$ 353,252	$ 170,817
Less: Net income (loss) attributable to noncontrolling interests	1,767	(5,114)
Net income (loss) attributable to DISH Network	$ 351,485	$ 175,931
Weighted-average common shares outstanding - Class A and B common stock:		
Basic	462,090	458,422
Dilutive impact of stock awards outstanding	1,956	2,939
Diluted	464,046	461,361
Earnings per share - Class A and B common stock:		
Basic net income (loss) per share attributable to DISH Network	$ 0.76	$ 0.38
Diluted net income (loss) per share attributable to DISH Network	$ 0.76	$ 0.38

As of March 31, 2015 and 2014, there were stock awards to acquire 0.4 million and 0.1 million shares, respectively, of Class A common stock outstanding, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Vesting of options and rights to acquire shares of our Class A common stock granted pursuant to our performance based stock incentive plans (Restricted Performance Units) is contingent upon meeting certain goals, some of which are not yet probable of being achieved. As a consequence, the following are also not included in the diluted EPS calculation.

	As of March 31,	
	2015	2014
	(In thousands)	
Performance based options (1)	4,018	7,766
Restricted Performance Units (1)	1,394	1,866
Total (1)	5,412	9,632

(1) The decrease in performance based options and Restricted Performance Units primarily resulted from the expiration of the 2005 LTIP.

4. Supplemental Data Statements of Cash Flows

The following table presents our supplemental cash flow and other non-cash data.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Cash paid for interest (including capitalized interest)	$ 230,382	$ 230,312
Cash received for interest	11,488	33,273
Cash paid for income taxes	944	9,427
Capitalized interest	65,999	36,281
Satellite and Tracking Stock Transaction with EchoStar:		
Transfer of property and equipment, net		432,080
Investment in EchoStar and HSSC preferred tracking stock - cost method		316,204
Transfer of liabilities and other		44,540
Capital distribution to EchoStar, net of deferred taxes of $31,274		51,466

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

5. Other Comprehensive Income (Loss)

The following table presents the tax effect on each component of Other comprehensive income (loss).

	For the Three Months Ended March 31,					
	2015			2014		
	Before Tax Amount	Tax (Expense) Benefit (1)	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Foreign currency translation adjustments	$	$	$	$ 3,878	$	$ 3,878
Unrealized holding gains (losses) on available-for-sale securities	7,422	(2,744)	4,678	9,983	(3,649)	6,334
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(59,487)	(40,667)	(100,154)	493	(180)	313
Other comprehensive income (loss)	$ (52,065)	$ (43,411)	$ (95,476)	$ 14,354	$ (3,829)	$ 10,525

(1) Prior to December 31, 2012, we had established a valuation allowance against all deferred tax assets that were capital in nature. At December 31, 2012, it was determined that these deferred tax assets were realizable and the valuation allowance was released, including the valuation allowance related to a specific portfolio of available-for-sale securities for which changes in fair value had historically been recognized as a separate component of Accumulated other comprehensive income (loss) . Under the intra-period tax allocation rules, a credit of $63 million was recorded in Accumulated other comprehensive income (loss) on our Condensed Consolidated Balance Sheets related to the release of this valuation allowance.

We elected to use the aggregate portfolio method to determine when the $63 million would be released from Accumulated other comprehensive income (loss) to Income tax (provision) benefit, net in the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). Under the aggregate portfolio approach, the intra-period tax allocation remaining in Accumulated other comprehensive income (loss) is not released to Income tax (provision) benefit, net until such time that the specific portfolio of available-for-sale securities that generated the original intra-period allocation is liquidated. During the three months ended March 31, 2015, this specific available-for-sale security portfolio was liquidated and the $63 million credit that was previously recorded in Accumulated other comprehensive income (loss) was released to Income tax (provision) benefit, net. This adjustment has no net effect on Net cash flows from operating activities from continuing operations or Total stockholders equity (deficit).

The Accumulated other comprehensive income (loss) is detailed in the following table, net of tax.

Accumulated Other Comprehensive Income (Loss)		Unrealized / Recognized Gains (Losses) (In thousands)
Balance as of December 31, 2014	$	174,507
Other comprehensive income (loss) before reclassification		4,678
Amounts reclassified from accumulated other comprehensive income (loss)		(100,154)
Balance as of March 31, 2015	$	79,031

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

6. Marketable Investment Securities, Restricted Cash and Cash Equivalents, and Other Investment Securities

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

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - strategic	$ 321,342	$ 711,213
Current marketable investment securities - other	27,804	1,420,532
Total current marketable investment securities	349,146	2,131,745
Restricted marketable investment securities (1)	85,617	76,970
Total marketable investment securities	434,763	2,208,715
Restricted cash and cash equivalents (1)	1,367	10,014
Other investment securities:		
Investment in EchoStar preferred tracking stock - cost method	228,795	228,795
Investment in HSSC preferred tracking stock - cost method	87,409	87,409
Other investment securities - cost method	11,046	11,046
Total other investment securities	327,250	327,250
Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	$ 763,380	$ 2,545,979

(1) Restricted marketable investment securities and restricted cash and cash equivalents are included in Restricted cash and marketable investment securities on 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, except as specified below.

Current Marketable Investment Securities Strategic

Our current strategic marketable investment securities include strategic and financial debt and equity investments in public companies that are highly speculative and have experienced and continue to experience volatility. As of March 31, 2015, our strategic investment portfolio consisted of securities of a small number of issuers, and as a result the value of that portfolio depends, among other things, on the performance of those issuers. The fair value of certain of the debt and equity securities in our investment portfolio can be adversely impacted by, among other things, the issuers respective performance and ability to obtain any necessary additional financing on acceptable terms, or at all.

Current Marketable Investment Securities - Other

Our current marketable investment securities portfolio includes investments in various debt instruments including, among others, commercial paper, corporate securities and U.S. treasury and agency securities.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Commercial paper consists mainly of unsecured short-term, promissory notes issued primarily by corporations with maturities ranging up to 365 days. Corporate securities consist of debt instruments issued by corporations with various maturities normally less than 18 months. U. S. Treasury and agency securities consist of debt instruments issued by the federal government and other government agencies.

Restricted Cash and Marketable Investment Securities

As of March 31, 2015 and December 31, 2014, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit.

Other Investment Securities

We have strategic investments in certain debt and equity securities that are included in noncurrent Other investment securities on our Condensed Consolidated Balance Sheets and accounted for using the cost, equity and/or available-for-sale methods of accounting.

Our ability to realize value from our strategic investments in securities that are not publicly traded depends on the success of the issuers businesses and their ability to obtain sufficient capital, on acceptable terms or at all, and 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.

Investment in Tracking Stock

To improve our position in the growing consumer satellite broadband market, among other reasons, on February 20, 2014, we entered into agreements with EchoStar Corporation (EchoStar) to implement a transaction pursuant to which, among other things: (i) on March 1, 2014, we transferred to EchoStar and Hughes Satellite Systems Corporation (HSSC), a subsidiary of EchoStar, five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV (collectively the Transferred Satellites)), including related in-orbit incentive obligations and cash interest payments of approximately $59 million), and approximately $11 million in cash in exchange for an aggregate of 6,290,499 shares of a series of preferred tracking stock issued by EchoStar and an aggregate of 81.128 shares of a series of preferred tracking stock issued by HSSC (collectively, the Tracking Stock); and (ii) beginning on March 1, 2014, we lease back certain satellite capacity on the Transferred Satellites (collectively, the Satellite and Tracking Stock Transaction). The Tracking Stock generally tracks the residential retail satellite broadband business of Hughes Network Systems, LLC (HNS), a wholly-owned subsidiary of HSSC, including without limitation the operations, assets and

liabilities attributed to the Hughes residential retail satellite broadband business (collectively, the Hughes Retail Group). The shares of the Tracking Stock issued to us represent an aggregate 80% economic interest in the Hughes Retail Group.

Since the Satellite and Tracking Stock Transaction is among entities under common control, we recorded the Tracking Stock at EchoStar s and HSSC s historical cost basis for these instruments of $229 million and $87 million, respectively. The difference between the historical cost basis of the Tracking Stock received and the net carrying value of the Transferred Satellites of $356 million (including debt obligations, net of deferred taxes), plus the $11 million in cash, resulted in a $51 million capital transaction recorded in Additional paid-in capital on our Condensed Consolidated Balance Sheets. Although our investment in the Tracking Stock represents an aggregate 80% economic interest in the Hughes Retail Group, we have no operational control or significant influence over the Hughes Retail Group business, and currently there is no public market for the Tracking Stock. As such, the Tracking Stock is accounted for under the cost method of accounting.

On February 20, 2014, DISH Operating L.L.C. (DOLLC) and DISH Network L.L.C. (DNLLC), each indirect wholly-owned subsidiaries of us, entered into an Investor Rights Agreement with EchoStar and HSSC with respect

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

to the Tracking Stock (the Investor Rights Agreement). The Investor Rights Agreement provides, among other things, certain information and consultation rights for us; certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfers of the Tracking Stock for one year, with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to EchoStar in connection with a change of control of us and a right to require EchoStar to repurchase the Tracking Stock in connection with a change of control of EchoStar, in each case subject to certain terms and conditions); certain registration rights; certain obligations to provide conversion and exchange rights of the Tracking Stock under certain circumstances; and certain protective covenants afforded to holders of the Tracking Stock. The Investor Rights Agreement generally will terminate with respect to our interest should we no longer hold any shares of the HSSC-issued Tracking Stock and any registrable securities under the Investor Rights Agreement.

Unrealized Gains (Losses) on Marketable Investment Securities

As of March 31, 2015 and December 31, 2014, we had accumulated net unrealized gains of $125 million and $177 million, respectively. These amounts, net of related tax effect, were $79 million and $175 million, respectively. All of these amounts are included in Accumulated other comprehensive income (loss) within Total stockholders equity (deficit). The components of our available-for-sale investments are summarized in the table below.

	As of March 31, 2015				As of December 31, 2014			
	Marketable Investment Securities	Gains	Unrealized Losses	Net	Marketable Investment Securities	Gains	Unrealized Losses	Net
	(In thousands)							
Debt securities (including restricted):								
U. S. Treasury and agency securities	$ 62,777	$ 92	$	$ 92	$ 58,254	$ 7	$ (11)	$ (4)
Commercial paper	11,277				68,556			
Corporate securities	113,108	39,965	(15)	39,950	1,496,044	72,918	(153)	72,765
Other	35,241	83	(11)	72	192,607	1,293		1,293
Equity securities	212,360	84,499		84,499	393,254	106,971	(4,346)	102,625
Total	$ 434,763	$ 124,639	$ (26)	$ 124,613	$2,208,715	$ 181,189	$ (4,510)	$ 176,679

As of March 31, 2015, restricted and non-restricted marketable investment securities included debt securities of $62 million with contractual maturities within one year, $60 million with contractual maturities extending longer than one year through and including five years and $100 million with contractual maturities longer than ten years. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

13

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. As of March 31, 2015, the unrealized losses related to our investments in debt securities primarily represented investments in corporate securities. We have the ability to hold and do not intend to sell our investments in these debt securities before they recover or mature, and it is more likely than not that we will hold these investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

	As of			
	March 31, 2015		December 31, 2014	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)			
Debt Securities:				
Less than 12 months	$ 2,719	$ (15)	$ 280,738	$ (105)
12 months or more	128	(11)	135,853	(59)
Equity Securities:				
Less than 12 months			15,338	(4,346)
12 months or more				
Total	$ 2,847	$ (26)	$ 431,929	$ (4,510)

Fair Value Measurements

Our investments measured at fair value on a recurring basis were as follows:

	As of							
	March 31, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(In thousands)							
Cash Equivalents (including restricted)	$ 944,733	$ 152,997	$ 791,736	$	$ 7,009,897	$ 274,123	$ 6,735,774	$
Debt securities (including restricted):								
U. S. Treasury and agency securities	$ 62,777	$ 47,250	$ 15,527	$	$ 58,254	$ 42,710	$ 15,544	$

Commercial paper	11,277		11,277		68,556		68,556	
Corporate securities	113,108		104,633	8,475	1,496,044		1,488,340	7,704
Other	35,241		35,031	210	192,607		58,171	134,436
Equity securities	212,360	212,360			393,254	393,254		
Subtotal	434,763	259,610	166,468	8,685	2,208,715	435,964	1,630,611	142,140
Derivative financial instruments	451,071		451,071		383,460		383,460	
Total	$ 885,834	$ 259,610	$ 617,539	$ 8,685	$ 2,592,175	$ 435,964	$ 2,014,071	$ 142,140

As of March 31, 2015 and December 31, 2014, our Level 3 investments consisted predominately of corporate securities. On a quarterly basis we evaluate the reasonableness of significant unobservable inputs used in those measurements. For our Level 3 investments, we evaluate, among other things, the terms of the underlying instruments, the credit ratings of the issuers, current market conditions, and other relevant factors. Based on these factors, we assess the risk of realizing expected cash flows and we apply an observable discount rate that reflects

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

this risk. We may also reduce our valuations to reflect a liquidity discount based on the lack of an active market for these securities.

Changes in Level 3 instruments were as follows:

	Level 3 Investment Securities (In thousands)
Balance as of December 31, 2014	$ 142,140
Net realized and unrealized gains (losses) included in earnings	1,089
Net realized and unrealized gains (losses) included in other comprehensive income (loss)	(403)
Purchases	
Settlements	(134,141)
Issuances	
Transfers into or out of Level 3	
Balance as of March 31, 2015	$ 8,685

During the three months ended March 31, 2015, we had no transfers in or out of Level 1 and Level 2 fair value measurements.

Gains and Losses on Sales and Changes in Carrying Values of Investments

Other, net within Other Income (Expense) included on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

	For the Three Months Ended March 31,	
Other Income (Expense):	**2015**	**2014**
	(In thousands)	
Marketable investment securities - gains (losses) on sales/exchanges	$ 64,980	$ 5,637
Marketable investment securities - unrealized gains (losses) on investments accounted for using the Fair Value Option		4,276
Derivative financial instruments - net realized and/or unrealized gains (losses)	67,611	(5,304)
Marketable investment securities - other-than-temporary impairments	(5,567)	(6,130)
Other	(6,735)	(3,668)
Total	$ 120,289	$ (5,189)

7. Inventory

Inventory consisted of the following:

	As of	
	March 31, 2015	**December 31, 2014**
	(In thousands)	
Finished goods	$ 221,576	$ 252,238
Raw materials	166,532	159,095
Work-in-process	96,639	82,421
Total inventory	$ 484,747	$ 493,754

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

8. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of March 31, 2015	As of December 31, 2014
		(In thousands)	
Equipment leased to customers	2-5	$ 3,593,825	$ 3,639,607
EchoStar XV	15	277,658	277,658
D1	15	150,000	150,000
T1	15	401,721	401,721
Satellites acquired under capital lease agreements	10-15	499,819	499,819
Furniture, fixtures, equipment and other	1-10	754,984	747,139
Buildings and improvements	1-40	86,044	85,509
Land		5,504	5,504
Construction in progress		871,677	774,567
Total property and equipment		6,641,232	6,581,524
Accumulated depreciation		(2,854,832)	(2,807,985)
Property and equipment, net		$ 3,786,400	$ 3,773,539

Construction in progress consisted of the following:

	As of March 31, 2015	As of December 31, 2014
	(In thousands)	
Wireless ground equipment and build-out, including capitalized interest	$ 546,815	$ 484,668
EchoStar XVIII, including capitalized interest	306,587	271,497
Other	18,275	18,402
Total construction in progress	$ 871,677	$ 774,567

As we prepare for commercialization of our AWS-4 and H Block wireless spectrum licenses, which are recorded in FCC authorizations on our Condensed Consolidated Balance Sheets, interest expense related to their carrying value is being capitalized within Property and equipment, net on our Condensed Consolidated Balance Sheets based on our weighted-average borrowing rate for our debt. We began capitalizing interest on the H Block licenses in April 2014 concurrent with the FCC order granting our application to acquire these licenses. See Note 10 for further discussion.

Depreciation and amortization expense consisted of the following:

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Equipment leased to customers	$ 202,184	$ 195,214
Satellites	21,956	29,896
Buildings, furniture, fixtures, equipment and other	22,072	24,110
Total depreciation and amortization	$ 246,212	$ 249,220

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Cost of sales and operating expense categories included in our accompanying Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) do not include depreciation expense related to satellites or equipment leased to customers.

Pay-TV Satellites. We currently utilize 14 satellites in geostationary orbit approximately 22,300 miles above the equator, one of which we own and depreciate over its useful life. We currently utilize certain capacity on 11 satellites that we lease from EchoStar, which are accounted for as operating leases. We also lease two satellites from third parties, which are accounted for as capital leases and are depreciated over the shorter of the economic life or the term of the satellite agreement.

As of March 31, 2015, our pay-TV satellite fleet consisted of the following:

Satellites	Launch Date	Degree Orbital Location	Estimated Useful Life (Years) / Lease Termination Date
Owned:			
EchoStar XV (1)	July 2010	45	15
Under Construction:			
EchoStar XVIII (2)	2015	110	15
Leased from EchoStar (1):			
EchoStar I (3)(4)	December 1995	77	November 2015
EchoStar VII (3)(4)	February 2002	119	June 2016
EchoStar VIII	August 2002	77	Month to month
EchoStar IX	August 2003	121	Month to month
EchoStar X (3)(4)	February 2006	110	February 2021
EchoStar XI (3)(4)	July 2008	110	September 2021
EchoStar XII (3)	July 2003	61.5	September 2017
EchoStar XIV (3)(4)	March 2010	119	February 2023
EchoStar XVI (5)	November 2012	61.5	January 2017
Nimiq 5	September 2009	72.7	September 2019
QuetzSat-1	September 2011	77	November 2021
Leased from Other Third Party:			
Anik F3	April 2007	118.7	April 2022
Ciel II	December 2008	129	January 2019

(1) See Note 12 for further discussion of our Related Party Transactions with EchoStar.

(2) EchoStar XVIII is expected to launch during the fourth quarter 2015.

(3) We generally have the option to renew each lease on a year-to-year basis through the end of the respective satellite s useful life.

(4) On February 20, 2014, we entered into the Satellite and Tracking Stock Transaction with EchoStar pursuant to which, among other things, we transferred these satellites to EchoStar and lease back all available capacity on these satellites. See Note 6 and Note 12 for further discussion.

(5) We have the option to renew this lease for an additional six-year period. If we exercise our six-year renewal option, we have the option to renew this lease for an additional five years.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

9. Long-Term Debt

Fair Value of our Long-Term Debt

The following table summarizes the carrying and fair values of our debt facilities as of March 31, 2015 and December 31, 2014:

	As of			
	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
7 3/4% Senior Notes due 2015 (1)	$ 650,001	$ 656,501	$ 650,001	$ 664,321
7 1/8% Senior Notes due 2016 (2)	1,500,000	1,558,500	1,500,000	1,580,625
4 5/8% Senior Notes due 2017	900,000	927,531	900,000	933,750
4 1/4% Senior Notes due 2018	1,200,000	1,221,000	1,200,000	1,245,600
7 7/8% Senior Notes due 2019	1,400,000	1,575,952	1,400,000	1,589,700
5 1/8% Senior Notes due 2020	1,100,000	1,113,750	1,100,000	1,100,000
6 3/4% Senior Notes due 2021	2,000,000	2,130,000	2,000,000	2,157,500
5 7/8% Senior Notes due 2022	2,000,000	2,025,000	2,000,000	2,055,000
5% Senior Notes due 2023	1,500,000	1,500,000	1,500,000	1,470,000
5 7/8% Senior Notes due 2024	2,000,000	2,012,500	2,000,000	2,019,800
Other notes payable	33,568	33,568	34,084	34,084
Subtotal	14,283,569	$ 14,754,302	14,284,085	$ 14,850,380
Unamortized deferred financing costs and debt discounts, net	(48,974)		(51,473)	
Capital lease obligations (3)	188,329		194,914	
Total long-term debt and capital lease obligations (including current portion)	$ 14,422,924		$ 14,427,526	

(1) Our 7 3/4% Senior Notes due 2015 mature on May 31, 2015 and are included in Current portion of long-term debt and capital lease obligations on our Condensed Consolidated Balance Sheets as of March 31, 2015.

(2) Our 7 1/8% Senior Notes due 2016 mature on February 1, 2016 and have been reclassified to Current portion of long-term debt and capital lease obligations on our Condensed Consolidated Balance Sheets as of March 31, 2015.

(3) Disclosure regarding fair value of capital leases is not required.

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

10. Commitments and Contingencies

Commitments

DISH Spectrum

We have invested over $5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets.

700 MHz Licenses. In 2008, we paid $712 million to acquire certain 700 MHz E Block (700 MHz) wireless spectrum licenses, which were granted to us by the FCC in February 2009. At the time they were granted, these licenses were subject to certain interim and final build-out requirements. On October 29, 2013, the FCC issued an order approving a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the Interoperability Solution Order), which requires us to reduce power emissions on our 700 MHz licenses. As part of the Interoperability Solution Order, the FCC, among other things, approved our request to modify the original interim and final build-out requirements associated with our 700 MHz licenses so that by March 2017, we must provide signal coverage and offer service to at least 40% of our total E Block population (the Modified 700 MHz Interim Build-Out Requirement). The FCC also approved our request to modify the 700 MHz Final Build-Out Requirement so that by March 2021, we must provide signal coverage and offer service to at least 70% of the population in each of our E Block license areas (the Modified 700 MHz Final Build-Out Requirement). While the modifications to our 700 MHz licenses provide us additional time to complete the build-out requirements, the reduction in power emissions could have an adverse impact on our ability to fully utilize our 700 MHz licenses. If we fail to meet the Modified 700 MHz Interim Build-Out Requirement, the Modified 700 MHz Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020, and we could face the reduction of license area(s). If we fail to meet the Modified 700 MHz Final Build-Out Requirement, our authorization may terminate for the geographic portion of each license in which we are not providing service.

AWS-4 Licenses. On March 2, 2012, the FCC approved the transfer of 40 MHz of wireless spectrum licenses held by DBSD North America, Inc. (DBSD North America) and TerreStar Networks, Inc. (TerreStar) to us. On March 9, 2012, we completed the acquisition of 100% of the equity of reorganized DBSD North America (the DBSD Transaction) and substantially all of the assets of TerreStar (the TerreStar Transaction), pursuant to which we acquired, among other things, certain satellite assets and wireless spectrum licenses held by DBSD North America and TerreStar. The total consideration to acquire the DBSD North America and TerreStar assets was approximately $2.860 billion.

On February 15, 2013, the FCC issued an order, which became effective on March 7, 2013, modifying our licenses to expand our terrestrial operating authority with AWS-4 authority (AWS-4). That order imposed certain limitations on the use of a portion of this spectrum, including interference protections for other spectrum users and power and emission limits that we presently believe could render 5 MHz of our uplink spectrum (2000-2005 MHz) effectively unusable for terrestrial services and limit our ability to fully utilize the remaining 15 MHz of our uplink

spectrum (2005-2020 MHz) for terrestrial services. These limitations could, among other things, impact the ongoing development of technical standards associated with our wireless business, and may have a material adverse effect on our ability to commercialize our AWS-4 licenses. That order also mandated certain interim and final build-out requirements for the licenses. By March 2017, we must provide terrestrial signal coverage and offer terrestrial service to at least 40% of the aggregate population represented by all of the areas covered by the licenses (the AWS-4 Interim Build-Out Requirement). By March 2020, we were required to provide terrestrial signal coverage and offer terrestrial service to at least 70% of the population in each area covered by an individual license (the AWS-4 Final Build-Out Requirement).

On December 20, 2013, the FCC issued a further order that, among other things, extended the AWS-4 Final Build-Out Requirement by one year to March 2021 (the Modified AWS-4 Final Build-Out Requirement). If we fail to

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

meet the AWS-4 Interim Build-Out Requirement, the Modified AWS-4 Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020. If we fail to meet the Modified AWS-4 Final Build-Out Requirement, our terrestrial authorization for each license area in which we fail to meet the requirement may terminate. The FCC s December 20, 2013 order also conditionally waived certain FCC rules for our AWS-4 licenses to allow us to repurpose all 20 MHz of our uplink spectrum (2000-2020 MHz) for downlink (the AWS-4 Downlink Waiver). If we fail to notify the FCC that we intend to use our uplink spectrum for downlink by June 20, 2016, the AWS-4 Downlink Waiver will terminate, and the Modified AWS-4 Final Build-Out Requirement will revert back to the AWS-4 Final Build-Out Requirement.

H Block Licenses. On April 29, 2014, the FCC issued an order granting our application to acquire all 176 wireless spectrum licenses in the H Block auction. We paid approximately $1.672 billion to acquire these H Block licenses, including clearance costs associated with the lower H Block spectrum. The H Block licenses are subject to certain interim and final build-out requirements. By April 2018, we must provide reliable signal coverage and offer service to at least 40% of the population in each area covered by an individual H Block license (the H Block Interim Build-Out Requirement). By April 2024, we must provide reliable signal coverage and offer service to at least 75% of the population in each area covered by an individual H Block license (the H Block Final Build-Out Requirement). If we fail to meet the H Block Interim Build-Out Requirement, the H Block license term and the H Block Final Build-Out Requirement may be accelerated by two years (from April 2024 to April 2022) for each H Block license area in which we fail to meet the requirement. If we fail to meet the H Block Final Build-Out Requirement, our authorization for each H Block license area in which we fail to meet the requirement may terminate. The FCC has adopted rules for the H Block spectrum band that is adjacent to our AWS-4 licenses. Depending on the outcome of the standard-setting process for the H Block and our ultimate decision regarding the AWS-4 Downlink Waiver, the rules that the FCC adopted for the H Block could further impact 15 MHz of our AWS-4 uplink spectrum (2005-2020 MHz), which may have a material adverse effect on our ability to commercialize the AWS-4 licenses.

Commercialization of Our Wireless Spectrum Licenses and Related Assets. We have made substantial investments to acquire certain wireless spectrum licenses and related assets. We may also determine that additional wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. We may need to raise significant additional capital in the future to fund these efforts, which may not be available on acceptable terms or at all. There can be no assurance that we will be able to develop and implement a business model that will realize a return on these wireless spectrum licenses or that we will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying value of these assets and our future financial condition or results of operations.

AWS-3 Auction

The AWS-3 Auction commenced on November 13, 2014 and concluded on January 29, 2015. The FCC s prohibition on certain communications related to the AWS-3 Auction expired on February 13, 2015. Also, on February 13, 2015, Northstar Wireless and SNR Wireless each filed applications with the FCC to acquire certain AWS-3 Licenses for which it was named as winning bidder and had made the required down payments. Each of Northstar Wireless and SNR Wireless has applied as a Designated Entity that is entitled to receive a bidding credit of 25% in

the AWS-3 Auction, as defined by FCC regulations. In February 2015, one of our wholly-owned subsidiaries received a refund from the FCC of its $400 million upfront payment related to the AWS-3 Auction.

Northstar Wireless was the winning bidder for the Northstar Licenses with gross winning bids totaling approximately $7.845 billion, which after taking into account a 25% bidding credit, equals net winning bids totaling approximately $5.884 billion. Northstar Wireless is a wholly-owned subsidiary of Northstar Spectrum. Through

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

our wholly-owned subsidiary, American AWS-3 Wireless II L.L.C. (American II), we own an 85% non-controlling interest in Northstar Spectrum. Northstar Manager owns a 15% controlling interest in, and is the sole manager of, Northstar Spectrum. Northstar Spectrum is governed by a limited liability company agreement by and between American II and Northstar Manager (the Northstar Spectrum LLC Agreement). Pursuant to the Northstar Spectrum LLC Agreement, American II and Northstar Manager made pro-rata equity contributions in Northstar Spectrum equal to approximately 15% of the net purchase price of the Northstar Licenses. As of March 2, 2015, the total equity contributions from Northstar Manager to Northstar Spectrum were $133 million. American II also entered into a Credit Agreement by and among American II, as Lender, Northstar Wireless, as Borrower, and Northstar Spectrum, as Guarantor (the Northstar Credit Agreement). Pursuant to the Northstar Credit Agreement, American II made loans to Northstar Wireless for approximately 85% of the net purchase price of the Northstar Licenses. After Northstar Wireless made the final payments to the FCC on March 2, 2015 for the Northstar Licenses, the total equity contributions from American II to Northstar Spectrum were approximately $750 million and the total loans from American II to Northstar Wireless were approximately $5.001 billion.

SNR Wireless was the winning bidder for the SNR Licenses with gross winning bids totaling approximately $5.482 billion, which after taking into account a 25% bidding credit, equals net winning bids totaling approximately $4.112 billion. In addition to the net winning bids, SNR Wireless made a bid withdrawal payment of approximately $8 million to the FCC. SNR Wireless is a wholly-owned subsidiary of SNR Holdco. Through our wholly-owned subsidiary, American AWS-3 Wireless III L.L.C. (American III), we own an 85% non-controlling interest in SNR Holdco. SNR Management owns a 15% controlling interest in, and is the sole manager of, SNR Holdco. SNR Holdco is governed by a limited liability company agreement by and between American III and SNR Management (the SNR Holdco LLC Agreement). Pursuant to the SNR Holdco LLC Agreement, American III and SNR Management made pro-rata equity contributions in SNR Holdco equal to approximately 15% of the net purchase price of the SNR Licenses. As of March 2, 2015, the total equity contributions from SNR Management to SNR Holdco were $93 million. American III also entered into a Credit Agreement by and among American III, as Lender, SNR Wireless, as Borrower, and SNR Holdco, as Guarantor (the SNR Credit Agreement). Pursuant to the SNR Credit Agreement, American III made loans to SNR Wireless for the amount of the bid withdrawal payment and approximately 85% of the net purchase price of the SNR Licenses. After SNR Wireless made the final payments to the FCC on March 2, 2015 for the SNR Licenses, the total equity contributions from American III to SNR Holdco were approximately $524 million and the total loans from American III to SNR Wireless were approximately $3.503 billion.

After Northstar Wireless and SNR Wireless made the final payments to the FCC on March 2, 2015 for the Northstar Licenses and the SNR Licenses, respectively, our total non-controlling equity and debt investments in the Northstar Entities and the SNR Entities were approximately $9.778 billion. Issuance of any AWS-3 Licenses to Northstar Wireless or SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. On April 29, 2015, the FCC issued a public notice that, among other things, found the applications filed by Northstar Wireless and SNR Wireless, upon initial review, to be acceptable for filing. The FCC s public notice also set the following filing deadlines related to the applications: (i) petitions to deny the applications must be filed no later than May 11, 2015; (ii) oppositions to a petition to deny the applications must be filed no later than May 18, 2015; and (iii) replies to oppositions must be filed no later than May 26, 2015. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless. In addition, on April 29, 2015, we received a letter from the United States Senate Committee on Commerce, Science and Transportation (the Senate Committee), requesting certain information related to our relationship with Northstar Wireless and SNR Wireless and our participation in the AWS-3 Auction. We cannot predict the timing or the outcome of the Senate Committee s inquiry.

In the event that the FCC grants the Northstar Licenses and the SNR Licenses, we may need to make significant additional loans to the Northstar Entities and the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize,

build-out and integrate the Northstar Licenses and the SNR Licenses, and comply with regulations applicable to the Northstar Licenses and the SNR Licenses. Depending

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities.

Guarantees

During the third quarter 2009, EchoStar entered into a satellite transponder service agreement for Nimiq 5 through 2024. We sublease this capacity from EchoStar and also guarantee a certain portion of EchoStar s obligation under its satellite transponder service agreement through 2019. As of March 31, 2015, the remaining obligation of our guarantee was $296 million. As of March 31, 2015, we have not recorded a liability on the balance sheet for this guarantee.

Contingencies

Separation Agreement

On January 1, 2008, we completed the distribution of our technology and set-top box business and certain infrastructure assets (the Spin-off) into a separate publicly-traded company, EchoStar. In connection with the Spin-off, we entered into a separation agreement with EchoStar that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar has assumed certain liabilities that relate to its 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, EchoStar will only be liable for its acts or omissions following the Spin-off and we will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off, as well as our 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.

For certain cases described on the following pages, 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; (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 (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 complaints against us and our wholly-owned subsidiaries DISH Network L.L.C. and dishNET Satellite Broadband L.L.C., as well as Hughes Communications, Inc. and Hughes Network Systems, LLC, which are subsidiaries of EchoStar, in the United States District Court for the Central District of California. The complaint alleges infringement of United States

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 alleges 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 our Hopper® set-top box, as well as the Hughes defendants satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard. On May 5, 2015, the Court granted summary judgment in our favor as to the DISH products and services alleged in the complaint. On February 17, 2015, Caltech filed a new complaint in the United States District Court for the Central District of California, asserting the same patents against the same defendants. Caltech alleges that certain broadband equipment, including without limitation the HT1000 and HT1100 modems, gateway hardware, software and/or firmware that the Hughes defendants provide to, among others, us for our use in connection with the dishNET branded broadband service, infringes these 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.

ClearPlay, Inc.

On March 13, 2014, ClearPlay, Inc. (ClearPlay) filed a complaint against us, our wholly-owned subsidiary DISH Network L.L.C., EchoStar, and its wholly-owned subsidiary EchoStar Technologies 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 ; 7,526,784, entitled Delivery of Navigation Data for Playback of Audio and Video Content ; 7,543,318, entitled Delivery of Navigation Data for Playback of Audio and Video Content ; 7,577,970, entitled Multimedia Content Navigation and Playback ; and 8,117,282, entitled Media Player Configured to Receive Playback Filters From Alternative Storage Mediums. ClearPlay alleges that the AutoHop feature of our Hopper set-top box infringes the asserted patents. On February 11, 2015, the case was stayed pending various third-party challenges before the United States Patent and Trademark Office regarding the validity of certain of the patents asserted in the action.

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, our wholly-owned subsidiaries DISH DBS Corporation and DISH Network L.L.C., EchoStar, and its wholly-owned subsidiary EchoStar Technologies L.L.C., in the 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, Device-to-Device Session Transfer System, and relates to transferring an ongoing software session from one device to another. CRFD alleges that our Hopper and Joey® set-top boxes infringe the 233 patent. On the same day, CRFD filed similar complaints against AT&T Inc.; Comcast Corp.; DirecTV; Time Warner Cable Inc.; Cox 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. On January 26, 2015, we and EchoStar filed a petition before the United States Patent and Trademark Office challenging the validity of the 233 patent.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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.

Custom Media Technologies LLC

On August 15, 2013, Custom Media Technologies LLC (Custom Media) filed complaints against us; AT&T Inc.; Charter Communications, Inc.; Comcast Corp.; Cox Communications, Inc.; DirecTV; Time Warner Cable Inc. and Verizon Communications, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 6,269,275 (the 275 patent). The 275 patent, which is entitled Method and System for Customizing and Distributing Presentations for User Sites, relates to the provision of customized presentations to viewers over a network, such as a cable television network, an Internet or other computer network, a broadcast television network, and/or a satellite system. Custom Media alleges that our DVR devices and DVR functionality infringe the 275 patent. Custom Media is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Pursuant to a stipulation between the parties, on November 6, 2013, the Court entered an order substituting DISH Network L.L.C., our wholly-owned subsidiary, as the defendant in our place. Trial is scheduled to commence on September 19, 2016.

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.

Do Not Call Litigation

On March 25, 2009, our wholly-owned subsidiary DISH Network L.L.C. was sued in a civil action by the United States Attorney General and several states in the United States District Court for the Central District of Illinois, alleging violations of the Telephone Consumer Protection Act and Telephone Sales Rules, as well as analogous state statutes and state consumer protection laws. The plaintiffs allege that we, directly and through certain independent third-party retailers and their affiliates, committed certain telemarketing violations. On December 23, 2013, the plaintiffs filed a motion for summary judgment, which indicated for the first time that the state plaintiffs were seeking civil penalties and damages of approximately $270 million and that the federal plaintiff was seeking an unspecified amount of civil penalties (which could substantially exceed the civil penalties and damages being sought by the state plaintiffs). The plaintiffs are also seeking injunctive relief that if granted would, among other things, enjoin DISH Network L.L.C., whether acting directly or indirectly through authorized telemarketers or independent third-party retailers, from placing any outbound telemarketing calls to market or promote its goods or services for five years, and enjoin DISH Network L.L.C. from accepting activations or sales from certain existing independent third-party retailers and from certain new independent third-party retailers, except under certain circumstances. We also filed a motion for summary judgment, seeking dismissal of all

claims. On December 12, 2014, the Court issued its opinion with respect to the parties summary judgment motions. The Court found that DISH Network L.L.C. is entitled to partial summary judgment with respect to one claim in the action. In addition, the Court found that the plaintiffs are entitled to partial summary judgment with respect to ten claims in the action, which includes, among other things, findings by the Court establishing DISH Network L.L.C. s liability for a substantial amount of the alleged outbound telemarketing calls by DISH Network L.L.C. and certain of its independent third-party retailers that were the subject of the plaintiffs motion. The Court did not issue any injunctive relief and did not make any determination on civil penalties or damages, ruling instead that the scope of any injunctive relief and the amount of any civil penalties or damages are questions for trial. Trial is scheduled to commence on July 21, 2015. In recent pre-trial disclosures, the federal plaintiff has informed us that it intends to seek up to $900 million in alleged civil penalties at trial, and the state plaintiffs have informed us that they now intend to seek $23.5 billion in alleged civil penalties and damages.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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

Dragon Intellectual Property, LLC

On December 20, 2013, Dragon Intellectual Property, LLC (Dragon IP) filed complaints against our wholly-owned subsidiary DISH Network L.L.C., as well as Apple Inc.; AT&T, Inc.; Charter Communications, Inc.; Comcast Corp.; Cox Communications, Inc.; DirecTV; Sirius XM Radio Inc.; Time Warner Cable Inc. and Verizon Communications, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 5,930,444 (the 444 patent), which is entitled Simultaneous Recording and Playback Apparatus. Dragon IP alleges that various of our DVR receivers infringe the 444 patent. Dragon IP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On December 23, 2014, DISH Network L.L.C. filed a petition before the United States Patent and Trademark Office challenging the validity of the 444 patent. On April 10, 2015, the Court granted DISH Network L.L.C. s motion to stay the action in light of DISH Network L.L.C. s petition and certain other defendants petitions pending before the United States Patent and Trademark Office challenging the validity of the 444 patent.

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.

Grecia

On March 27, 2015, William Grecia (Grecia) filed a complaint against our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Northern District of Illinois, alleging infringement of United States Patent No. 8,533,860 (the 860 patent), which is entitled Personalized Digital Media Access System PDMAS Part II. Grecia alleges that we violate the 860 patent in connection with our digital rights management. Grecia is the named inventor on the 860 patent.

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, our wholly-owned subsidiary, DISH Network L.L.C., filed a lawsuit in the United States District Court for the Southern District of New York against American Broadcasting Companies, Inc.; CBS Corporation; Fox Entertainment Group, Inc.; Fox Television Holdings, Inc.; Fox Cable Network Services, L.L.C. and NBCUniversal, LLC. In the lawsuit, we sought a declaratory judgment that we are not infringing any defendant s copyright, or breaching any defendant s retransmission consent agreement, by virtue of the PrimeTime Anytime and AutoHop features of our Hopper set-top box. 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 that 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 us and DISH Network L.L.C. in the United States District Court for the Central

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

District of California, alleging that the PrimeTime Anytime feature, the AutoHop feature, as well as Slingbox 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, LLC filed a lawsuit against us and DISH Network L.L.C. 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 us and DISH Network L.L.C. 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 venue-related motions brought in both the New York and California actions, and certain networks filing various counterclaims and 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 and NBC parties in California.

California Actions. The NBC plaintiffs and Fox plaintiffs filed amended complaints in their respective California actions, adding copyright claims against EchoStar and EchoStar Technologies L.L.C., a wholly-owned subsidiary of EchoStar. In addition, the Fox plaintiffs amended complaint added claims challenging the Hopper Transfers feature of our second-generation Hopper set-top box.

On November 7, 2012, the California court denied the Fox plaintiffs motion for a preliminary injunction to enjoin the Hopper set-top box s PrimeTime Anytime and AutoHop features, and the Fox plaintiffs appealed. On March 27, 2013, at the request of the parties, the Central District of California granted a stay of all proceedings in the action brought by the NBC plaintiffs, pending resolution of the appeal by the Fox plaintiffs. 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 one. 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 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) us seeking to enjoin the Hopper Transfers feature in our second-generation Hopper set-top box, alleging breach of their retransmission consent agreement; and (ii) us and EchoStar Technologies L.L.C. seeking to enjoin the Slingbox placeshifting functionality in our second-generation Hopper set-top box, alleging copyright infringement and breach of their retransmission consent agreement. On September 23, 2013, the California court denied the Fox plaintiffs motion. 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 for a preliminary injunction as to the Hopper Transfers feature and the Slingbox placeshifting functionality in our second-generation Hopper set-top box.

On January 12, 2015, the Court ruled on the Fox plaintiffs and our respective motions for summary judgment, holding that: (a) the Slingbox placeshifting functionality and the PrimeTime Anytime, AutoHop and Hopper Transfers features do not violate the copyright laws; (b) certain quality assurance copies (which were discontinued in November 2012) do violate the copyright laws; and (c) the Slingbox placeshifting functionality, the Hopper Transfers feature and such quality assurance copies breach our Fox retransmission consent agreement. The only issue remaining for trial is the amount of damages (if any) on the claims upon which the Fox plaintiffs prevailed on summary judgment, but the Court ruled that the Fox plaintiffs could not pursue disgorgement as a remedy. At the parties joint request, the Court has stayed the case until October 1, 2015, and no trial date has been set.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

New York Actions. Both the ABC and CBS parties filed counterclaims in the New York action adding copyright claims against EchoStar Technologies L.L.C., and the CBS parties filed a counterclaim alleging that we fraudulently concealed the AutoHop feature when negotiating the renewal of our 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, during March 2014, the ABC parties withdrew their appeal to the United States Court of Appeals for the Second Circuit; 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; and the ABC parties granted a covenant not to sue. Pursuant to a settlement between us and the CBS parties, on December 10, 2014, we and the CBS parties dismissed with prejudice all of our respective claims pending in the New York Court.

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, or are in breach of any of the retransmission consent agreements, 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 consumers. In addition, as a result of this litigation, we may not be able to renew certain of our retransmission consent agreements and other programming agreements on favorable terms or at all. If we are unable to renew these agreements, there can be no assurance that we would be able to obtain substitute programming, or that such substitute programming would be comparable in quality or cost to our existing programming. Loss of access to existing programming could have a material adverse effect on our business, financial condition and results of operations, including, among other things, our gross new subscriber activations and subscriber churn rate. 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)

As previously disclosed in our public filings, L-Band Acquisition, LLC (LBAC), our wholly-owned subsidiary, entered into a Plan Support Agreement (the PSA) with certain senior secured lenders to LightSquared LP (the LightSquared LP Lenders) on July 23, 2013, which contemplated the purchase by LBAC of substantially all of the assets of LightSquared LP and certain of its subsidiaries (the LBAC Bid) that are debtors and debtors in possession 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).

Pursuant to the PSA, LBAC was entitled to terminate the PSA in certain circumstances, certain of which required three business days written notice, including, without limitation, in the event that certain milestones specified in the PSA were not met. On January 7, 2014, LBAC delivered written notice of termination of the PSA to the LightSquared LP Lenders. As a result, the PSA terminated effective on January 10, 2014, and the LBAC Bid was withdrawn.

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, LBAC, EchoStar, Charles W. Ergen (our Chairman, President and Chief Executive Officer), SP Special Opportunities, LLC (SPSO) (an entity controlled by Mr. Ergen), and certain other parties, in the Bankruptcy Court. 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, LBAC and EchoStar.

On October 29, 2013, the Bankruptcy Court dismissed all of the claims in Harbinger s complaint in their entirety, but granted leave for LightSquared to file its own complaint in intervention. On November 15, 2013, LightSquared

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

filed its complaint, which included various claims against us, EchoStar, 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. 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, EchoStar and Mr. Ergen; and Harbinger s claim against SPSO for statutory disallowance. These claims proceeded to a non-jury trial on January 9, 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 EchoStar, and it rejected some but not all claims against the other defendants.

We intend to vigorously defend any claims against us in 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.

LightSquared/Harbinger Capital Partners LLC (LightSquared Colorado Action)

On July 8, 2014, Harbinger filed suit against us, LBAC, Mr. Ergen, SPSO, and certain other parties, in the United States District Court for the District of Colorado. The complaint asserts claims for tortious interference with contract and abuse of process, as well as claims alleging violations of the federal Racketeering Influenced and Corrupt Organization Act and the Colorado Organized Crime Control Act. Harbinger seeks to rely on many of the same facts and circumstances that were at issue in the LightSquared adversary proceeding pending in the Bankruptcy Court. Harbinger argues that the defendants alleged conduct, among other things, is responsible for Harbinger s losing control of LightSquared and causing breaches of Harbinger s stockholder agreement. The complaint seeks damages in excess of $500 million, which under federal and state law may be trebled. On April 28, 2015, the District Court granted our motion to dismiss the complaint.

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

LightSquared Transaction Shareholder Derivative Actions

On August 9, 2013, a purported shareholder of the Company, Jacksonville Police and Fire Pension Fund (Jacksonville PFPF), filed a putative shareholder derivative action in the District Court for Clark County, Nevada alleging, among other things, breach of fiduciary duty claims against the members of the Company s Board of Directors as of that date: Charles W. Ergen; Joseph P. Clayton; James DeFranco; Cantey M. Ergen; Steven R. Goodbarn; David K. Moskowitz; Tom A. Ortolf; and Carl E. Vogel (collectively, the Director Defendants). In its first amended complaint, Jacksonville PFPF asserted claims that Mr. Ergen breached his fiduciary duty to the Company in connection with certain purchases of LightSquared debt by SPSO, an entity controlled by Mr. Ergen, and that the other Director Defendants aided and abetted that alleged breach of duty. The Jacksonville PFPF claims alleged that (1) the debt purchases created an impermissible conflict of interest and

(2) put at risk the LBAC Bid, which as noted above has been withdrawn. Jacksonville PFPF further claimed that most members of the Company s Board of Directors are beholden to Mr. Ergen to an extent that prevents them from discharging their duties in connection with the Company s participation in the LightSquared bankruptcy auction process. Jacksonville PFPF is seeking an unspecified amount of damages. Jacksonville PFPF dismissed its claims against Mr. Goodbarn on October 8, 2013.

Jacksonville PFPF sought a preliminary injunction that would enjoin Mr. Ergen and all of the Director Defendants other than Mr. Goodbarn from influencing the Company s efforts to acquire certain assets of LightSquared in the bankruptcy proceeding. On November 27, 2013, the Court denied that request but granted narrower relief enjoining Mr. Ergen and anyone acting on his behalf from participating in negotiations related to one aspect of the LBAC Bid, which, as noted above, has been withdrawn.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Five alleged shareholders have filed substantially similar putative derivative complaints in state and federal courts alleging the same or substantially similar claims. On September 18, 2013, DCM Multi-Manager Fund, LLC filed a duplicative putative derivative complaint in the District Court for Clark County, Nevada, which was consolidated with the Jacksonville PFPF action on October 9, 2013. Between September 25, 2013 and October 2, 2013, City of Daytona Beach Police Officers and Firefighters Retirement System, Louisiana Municipal Police Employees Retirement System and Iron Worker Mid-South Pension Fund filed duplicative putative derivative complaints in the United States District Court for the District of Colorado. Also on October 2, 2013, Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan filed its complaint in the United States District Court for the District of Nevada.

On October 11, 2013, Iron Worker Mid-South Pension Fund dismissed its claims without prejudice. On October 30, 2013, Louisiana Municipal Police Employees Retirement System dismissed its claims without prejudice and, on January 2, 2014, filed a new complaint in the District Court for Clark County, Nevada, which, on May 2, 2014, was consolidated with the Jacksonville PFPF action. On December 13, 2013, City of Daytona Beach Police Officers and Firefighters Retirement System voluntarily dismissed its claims without prejudice. On March 28, 2014, Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan voluntarily dismissed its claims without prejudice.

On July 25, 2014, Jacksonville PFPF filed a second amended complaint, which added claims against George R. Brokaw and Charles M. Lillis, as Director Defendants, and Thomas A. Cullen, R. Stanton Dodge and K. Jason Kiser, as officers of the Company. Jacksonville PFPF asserted five claims in its second amended complaint, each of which alleged breaches of the duty of loyalty. Three of the claims were asserted solely against Mr. Ergen; one claim was made against all of the remaining Director Defendants, other than Mr. Ergen and Mr. Clayton; and the final claim was made against Messrs. Cullen, Dodge and Kiser.

Our Board of Directors has established a Special Litigation Committee to review the factual allegations and legal claims in these actions. On October 24, 2014, the Special Litigation Committee filed a report in the District Court for Clark County, Nevada regarding its investigation of the claims and allegations asserted in Jacksonville PFPF s second amended complaint. The Special Litigation Committee filed a motion to dismiss the action based, among other things, on its determination that it is in the best interests of the Company not to pursue the claims asserted by Jacksonville PFPF. The Director Defendants and Messrs. Cullen, Dodge and Kiser have also filed various motions to dismiss the action. The Court will hold a hearing on the Special Litigation Committee s and the defendants motions on July 16, 2015. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

Personalized Media Communications, Inc.

During 2008, Personalized Media Communications, Inc. (PMC) filed suit against us; EchoStar 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 us and EchoStar as defendants. On July 18, 2012, pursuant to a Court order, PMC filed a Second Amended Complaint that 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 we and EchoStar 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 EchoStar filed a notice of appeal of that partial final judgment. PMC s damages expert had contended that we and EchoStar are liable for damages ranging from

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

approximately $500 million to $650 million as of March 31, 2012, and subsequently modified such damages as ranging from approximately $150 million to $450 million, as of September 30, 2014, which did not include pre-judgment interest and could be trebled under Federal law. On May 7, 2015, we, EchoStar and PMC entered into a settlement and release agreement that provides, among other things, for a license by PMC to us and EchoStar for certain patents and patent applications and the dismissal of all of PMC s claims in the action against us and EchoStar with prejudice.

Phoenix Licensing, L.L.C./LPL Licensing, L.L.C.

On October 17, 2014, Phoenix Licensing, L.L.C. and LPL Licensing, L.L.C. (together referred to as Phoenix) filed a complaint against us and our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 5,987,434 entitled Apparatus and Method for Transacting Marketing and Sales of Financial Products ; 7,890,366 entitled Personalized Communication Documents, System and Method for Preparing Same ; 8,352,317 entitled System for Facilitating Production of Variable Offer Communications ; 8,234,184 entitled Automated Reply Generation Direct Marketing System ; and 6,999,938 entitled Automated Reply Generation Direct Marketing System. Phoenix alleges that we infringe the asserted patents by making and using products and services that generate customized marketing materials. Phoenix is an entity that seeks to license a patent portfolio without itself practicing any of the claims recited therein. Trial is set scheduled to commence on March 14, 2016.

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.

Qurio Holdings, Inc.

On September 26, 2014, Qurio Holdings, Inc. (Qurio) filed a complaint against us and our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Northern District of Illinois, alleging infringement of United States Patent No. 8,102,863 entitled Highspeed WAN To Wireless LAN Gateway and United States Patent No. 7,787,904 entitled Personal Area Network Having Media Player And Mobile Device Controlling The Same. On the same day, Qurio filed similar complaints against Comcast and DirecTV. On November 13, 2014, Qurio filed a first amended complaint, which added a claim alleging infringement of United States Patent No. 8,879,567 entitled High-Speed WAN To Wireless LAN Gateway. Qurio is an entity that seeks to license a patent portfolio without itself practicing any of the claims recited therein. On February 9, 2015, the Court granted DISH Network L.L.C. s motion to transfer the case to the United States District Court for the Northern District of California.

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 cause 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.

Technology Development and Licensing L.L.C.

On January 22, 2009, Technology Development and Licensing L.L.C. (TDL) filed suit against us and EchoStar, 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 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 a complaint against us; our wholly-owned subsidiaries DISH DBS Corporation and DISH Network L.L.C; EchoStar; and EchoStar s 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. The Complaint alleges 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 our Hopper set-top boxes, ViP 722 and ViP 722k DVR devices, as well as our 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. Trial is scheduled to commence on January 12, 2016.

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.

Tse

On May 30, 2012, Ho Keung Tse filed a complaint against our wholly-owned subsidiary Blockbuster L.L.C., in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent No. 6,665,797 (the 797 patent), which is entitled Protection of Software Again [sic] Against Unauthorized Use. Mr. Tse is the named inventor on the 797 patent. On the same day that he sued Blockbuster, Mr. Tse filed a separate action in the same court alleging infringement of the same patent against Google Inc.; Samsung Telecommunications America, LLC and HTC America Inc. He also has earlier-filed litigation on the same patent pending in the United States District Court for the Northern District of California against Sony Connect, Inc.; Napster, Inc.; Apple Computer, Inc.; Realnetworks, Inc. and MusicMatch, Inc. On March 8, 2013, the Court granted Blockbuster s motion to transfer the matter to the United States District Court for the Northern District of California, the same venue where the matter against Google Inc.; Samsung Telecommunications America, LLC and HTC America Inc. also was transferred. On December 11, 2013, the Court granted our motion for summary judgment based on invalidity of the 797 patent. Mr. Tse filed a notice of appeal on January 8, 2014, and the United States Court of Appeals for the Federal Circuit ordered that the appeal be submitted to a three judge panel of the Federal Circuit on July 10, 2014 without oral argument. On July 16, 2014, the Federal Circuit affirmed the District Court s entry of summary judgment in our favor. On August 11, 2014, Mr. Tse filed a petition for rehearing or rehearing en banc, which the Federal Circuit denied on September 15, 2014. On December 11, 2014, Mr. Tse filed a petition for a writ of certiorari before the United States

Supreme Court, which was denied on February 23, 2015. This matter is now concluded.

Waste Disposal Inquiry

The California Attorney General and the Alameda County (California) District Attorney are investigating whether certain of our waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. We expect that these entities will seek injunctive and monetary relief. The investigation appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. While we are unable to predict the outcome of this investigation, we do not believe that the outcome will have a material effect on our results of operations, financial condition or cash flows.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Other

In addition to the above actions, we are subject to various other legal proceedings and claims that arise in the ordinary course of business, including, among other things, disputes with programmers regarding fees. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial condition, 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.

11. Segment Reporting

Operating segments are components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Operating income is the primary measure used by our chief operating decision maker to evaluate segment operating performance. We currently operate two primary business segments, DISH and Wireless. See Note 1 for further discussion.

All other and eliminations primarily include intersegment eliminations related to intercompany debt, which is eliminated in consolidation.

The total assets, revenue and operating income by segment were as follows:

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Total assets:		
DISH	$ 22,376,670	$ 21,388,131
Wireless (1)	15,918,506	7,577,894
All other and eliminations	(15,369,971)	(6,894,817)
Total assets	$ 22,925,205	$ 22,071,208

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Revenue:		

DISH	$	3,724,120	$	3,594,032
Wireless		108		166
All other and eliminations				
Total revenue	$	3,724,228	$	3,594,198
Operating income (loss):				
DISH	$	499,310	$	469,930
Wireless		(15,447)		(23,632)
All other and eliminations				
Total operating income (loss)	$	483,863	$	446,298

(1) This increase in assets is primarily related to our non-controlling investments in the Northstar Entities and the SNR Entities related to the AWS-3 Auction.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Geographic Information. Revenues are attributed to geographic regions based upon the location where the products are delivered and services are provided. All revenue was derived from the United States.

12. Related Party Transactions

Related Party Transactions with EchoStar

Following the Spin-off, we and EchoStar have operated as separate publicly-traded companies, and, except for the Satellite and Tracking Stock Transaction and Sling TV Holding L.L.C. (Sling TV, formerly known as DISH Digital Holding L.L.C.) described below, neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, President and Chief Executive Officer, and by certain trusts established by Mr. Ergen for the benefit of his family.

EchoStar is our primary supplier of set-top boxes and digital broadcast operations and a supplier of the vast majority of our transponder capacity. Generally, the amounts we pay EchoStar for products and services are based on pricing equal to EchoStar s cost plus a fixed margin (unless noted differently below), which will vary depending on the nature of the products and services provided.

In connection with and following the Spin-off, we and EchoStar have entered into certain agreements pursuant to which we obtain certain products, services and rights from EchoStar, EchoStar obtains certain products, services and rights from us, and we and EchoStar have indemnified each other against certain liabilities arising from our respective businesses. We also may enter into additional agreements with EchoStar in the future. The following is a summary of the terms of our principal agreements with EchoStar that may have an impact on our financial condition and results of operations.

Equipment sales, services and other revenue - EchoStar

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

Professional Services Agreement. Prior to 2010, in connection with the Spin-off, we entered into various agreements with EchoStar 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 EchoStar agreed that EchoStar shall continue to have the right, but not the obligation, to receive the following services from us, 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 EchoStar agreed that we shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for us (previously provided under the Satellite Procurement Agreement) and receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. The Professional Services Agreement automatically renewed on January 1, 2015 for an additional one-year period until January 1, 2016 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Satellite Capacity Leased to EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which EchoStar leases certain capacity on certain satellites owned by us. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are leased on the applicable satellite and the length of the lease. The term of each lease is set forth below:

- *D1.* Effective November 1, 2012, we entered into a satellite capacity agreement pursuant to which HNS leased certain satellite capacity from us on D1 for research and development. This lease terminated on June 30, 2014.

- *EchoStar XV.* During May 2013, we began leasing satellite capacity to EchoStar on EchoStar XV and relocated the satellite for testing at EchoStar s Brazilian authorization at the 45 degree orbital location. Effective March 1, 2014, this lease converted to a month-to-month lease. Both parties have the right to terminate this lease with 30 days notice. Upon termination, EchoStar is responsible, among other things, for relocating this satellite from the 45 degree orbital location back to the 61.5 degree orbital location.

Real Estate Lease Agreements. Since the Spin-off, we have entered into lease agreements pursuant to which we lease certain real estate to EchoStar. 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 areas, and EchoStar is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises. The term of each lease is set forth below:

- *El Paso Lease Agreement.* During 2012, we leased certain space at 1285 Joe Battle Blvd., El Paso, Texas to EchoStar for a period ending on August 1, 2015, which also provides EchoStar with renewal options for four consecutive three-year terms.

- *American Fork Occupancy License Agreement.* During 2013, we subleased certain space at 796 East Utah Valley Drive, American Fork, Utah to EchoStar for a period ending on July 31, 2017. In connection with the Exchange Agreement relating to Sling TV discussed below, this sublease terminated during the fourth quarter 2014.

Satellite and transmission expenses

During the three months ended March 31, 2015 and 2014, we incurred $177 million and $139 million, respectively, for satellite and transmission expenses from EchoStar. These amounts are recorded in Satellite and transmission expenses on our Condensed Consolidated Statements of

Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below.

Broadcast Agreement. Effective January 1, 2012, we and EchoStar entered into a broadcast agreement (the 2012 Broadcast Agreement) pursuant to which EchoStar provides broadcast services to us, 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 fees for services provided under the 2012 Broadcast Agreement are calculated at either: (a) EchoStar s cost of providing the relevant service plus a fixed dollar fee, which is subject to certain adjustments; or (b) EchoStar s cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided. We have 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 EchoStar. If we terminate the teleport services provided under the 2012 Broadcast Agreement for a reason other than EchoStar s breach, we are generally obligated to reimburse EchoStar for any direct costs EchoStar incurs related to any such termination that it cannot reasonably mitigate.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Broadcast Agreement for Certain Sports Related Programming. During May 2010, we and EchoStar entered into a broadcast agreement pursuant to which EchoStar provides certain broadcast services to us in connection with our carriage of certain sports related programming. The term of this agreement is for ten years. If we terminate this agreement for a reason other than EchoStar s breach, we are generally obligated to reimburse EchoStar for any direct costs EchoStar incurs related to any such termination that it 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 Capacity Leased from EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which we lease certain capacity on certain satellites owned or leased by EchoStar. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are leased on the applicable satellite and the length of the lease. See *Pay-TV Satellites* in Note 8 for further information. The term of each lease is set forth below:

- *EchoStar I, VII, X, XI and XIV.* On March 1, 2014, we began leasing all available capacity from EchoStar on the EchoStar I, VII, X, XI and XIV satellites. The term of each satellite capacity 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. We generally have the option to renew each satellite capacity 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.* During May 2013, we began leasing capacity from EchoStar on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this lease converted to a month-to-month lease. Both parties have the right to terminate this lease with 30 days notice.

- *EchoStar IX.* We lease certain satellite capacity from EchoStar on EchoStar IX. Subject to availability, we generally have the right to continue to lease satellite capacity from EchoStar on EchoStar IX on a month-to-month basis.

- *EchoStar XII.* The lease for EchoStar XII generally terminates upon the earlier of: (i) the end-of-life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponders on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service and the exercise of certain renewal options. We generally have the option to renew the lease 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 a transponder service agreement with EchoStar to lease all of the capacity on EchoStar XVI, a DBS satellite, after its service commencement date. EchoStar XVI was launched during November 2012 to replace EchoStar XV at the 61.5 degree orbital location and is currently in service. Under the original transponder service agreement, the initial term generally expired upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite failed; (iii) the date the transponder(s) on which service was being provided under the agreement failed; or (iv) ten years following the actual service commencement date. Prior to expiration of the initial term, we also had the option to renew on a year-to-year basis through the end-of-life of the satellite. Effective December 21, 2012, we and EchoStar amended the transponder service agreement to, among other things, change the 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

the initial term, we have the option to renew for an additional six-year period. Prior to expiration of the initial term, EchoStar also has the right, upon certain conditions, to renew for an additional six-year period. If either we or EchoStar exercise our respective six-year renewal options, then we have 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 options to renew this agreement will be exercised.

Nimiq 5 Agreement. During 2009, EchoStar 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 orbital location (the Telesat Transponder Agreement). During 2009, EchoStar also entered into a satellite service agreement (the DISH Nimiq 5 Agreement) with us, pursuant to which we currently receive service from EchoStar on all 32 of the DBS transponders covered by the Telesat Transponder Agreement. We have also guaranteed certain obligations of EchoStar under the Telesat Transponder Agreement. See discussion under Guarantees in Note 10.

Under the terms of the DISH Nimiq 5 Agreement, we make certain monthly payments to EchoStar 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 the Nimiq 5 satellite was placed into service. Upon expiration of the initial term, we have 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, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that we will exercise our option to receive service on a replacement satellite.

QuetzSat-1 Lease Agreement. During 2008, EchoStar entered into a ten-year satellite service agreement with SES Latin America S.A. (SES), which provides, among other things, for the provision by SES to EchoStar of service on 32 DBS transponders on the QuetzSat-1 satellite. During 2008, EchoStar also entered into a transponder service agreement (QuetzSat-1 Transponder Agreement) with us pursuant to which we receive service from EchoStar on 24 DBS transponders. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter 2011 at the 67.1 degree orbital location while we and EchoStar explored alternative uses for the QuetzSat-1 satellite. In the interim, EchoStar provided us with alternate capacity at the 77 degree orbital location. During the third quarter 2012, we and EchoStar entered into an agreement pursuant to which we sublease five DBS transponders back to EchoStar. During January 2013, QuetzSat-1 was moved to the 77 degree orbital location and we commenced commercial operations at that location in February 2013.

Unless earlier terminated under the terms and conditions of the QuetzSat-1 Transponder Agreement, the initial service term will expire in November 2021. Upon expiration of the initial term, we have the option to renew the QuetzSat-1 Transponder Agreement 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, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that any options to renew the QuetzSat-1 Transponder Agreement will be exercised or that we will exercise our option to receive service on a replacement satellite.

103 Degree Orbital Location/SES-3. During May 2012, EchoStar 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 orbital location (the 103 Spectrum Rights). During June 2013, we and EchoStar entered into a spectrum development agreement (the DISH 103 Spectrum Development Agreement) pursuant to which we may use and develop the 103 Spectrum Rights. During the third quarter 2013, we made a $23 million payment to EchoStar in exchange for its rights under the 103 Spectrum Development Agreement. In accordance with accounting principles that apply to transfers of assets between companies under common control, we recorded EchoStar s net book value of this asset of $20 million in Other noncurrent assets, net on our Condensed Consolidated Balance Sheets and recorded the amount in excess of EchoStar s net book value of $3 million as a

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

capital distribution. 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.

In connection with the 103 Spectrum Development Agreement, during May 2012, EchoStar also entered into a ten-year service agreement with Ciel pursuant to which EchoStar leases certain satellite capacity from Ciel on the SES-3 satellite at the 103 degree orbital location (the 103 Service Agreement). During June 2013, we and EchoStar entered into an agreement pursuant to which we lease certain satellite capacity from EchoStar on the SES-3 satellite (the DISH 103 Service Agreement). Under the terms of the DISH 103 Service Agreement, we make certain monthly payments to EchoStar 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, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that we will exercise our option to receive service on a replacement satellite.

TT&C Agreement. Effective January 1, 2012, we entered into a telemetry, tracking and control (TT&C) agreement pursuant to which we receive TT&C services from EchoStar for a period ending on December 31, 2016 (the 2012 TT&C Agreement). 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. We are able to terminate the 2012 TT&C Agreement for any reason upon 60 days notice.

As part of the Satellite and Tracking Stock Transaction, on February 20, 2014, we amended the 2012 TT&C Agreement to cease the provision of TT&C services from EchoStar for the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. As of March 1, 2014, EchoStar is providing us TT&C services for the EchoStar XV, D1 and T1 satellites.

DBSD North America Agreement. On March 9, 2012, we completed the DBSD Transaction. During the second quarter 2011, EchoStar acquired Hughes. Prior to our acquisition of DBSD North America and EchoStar s acquisition of Hughes, DBSD North America and HNS entered into an agreement pursuant to which HNS provides, among other things, hosting, operations and maintenance services for DBSD North America s satellite gateway and associated ground infrastructure. This agreement renewed for a one-year period ending on February 15, 2016, and renews for one additional one-year period unless terminated by DBSD North America upon at least 30 days notice prior to the expiration of any renewal term.

TerreStar Agreement. On March 9, 2012, we completed the TerreStar Transaction. Prior to our acquisition of substantially all the assets of TerreStar and EchoStar s acquisition of Hughes, TerreStar and HNS entered into various agreements pursuant to which HNS 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 us at any time for convenience.

DISHOnline.com Services Agreement. Effective January 1, 2010, we entered into a two-year agreement with EchoStar pursuant to which we receive 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. We have the option to renew this agreement for successive one year terms and the agreement may be terminated for any reason upon at least 120 days notice to EchoStar. In October 2014, we exercised our right to renew this agreement for a one-year period ending on December 31, 2015.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

General and administrative expenses

During the three months ended March 31, 2015 and 2014, we incurred $20 million and $25 million, respectively, for general and administrative expenses from EchoStar. These amounts are recorded in General and administrative expenses on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below.

Product Support Agreement. In connection with the Spin-off, we entered into a product support agreement pursuant to which we have the right, but not the obligation, to receive product support from EchoStar (including certain engineering and technical support services) for all set-top boxes and related accessories that EchoStar has previously sold and in the future may sell to us. 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 receivers and related accessories, unless terminated earlier. We 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, we are entitled to a refund of any unearned fees paid to EchoStar for the services.

Real Estate Lease Agreements. We have entered into lease agreements pursuant to which we lease certain real estate from EchoStar. 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, and EchoStar is responsible for its portion of the taxes, insurance, utilities and maintenance of the premises. The term of each lease 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.

- *Gilbert Lease Agreement.* Effective August 1, 2014, we began leasing certain space from EchoStar at 801 N. DISH Dr. in Gilbert, Arizona for a period ending on July 31, 2016. We also have renewal options for three additional one-year terms.

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

Application Development Agreement. During the fourth quarter 2012, we and EchoStar entered into a set-top box application development agreement (the Application Development Agreement) pursuant to which EchoStar provides us with certain services relating to the development of web-based applications for set-top boxes for a period ending on February 1, 2016. The Application Development Agreement renews automatically for successive one-year periods thereafter, unless terminated earlier by us or EchoStar at any time upon at least 90 days notice. The fees for services provided under the Application Development Agreement are calculated at EchoStar s cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

XiP Encryption Agreement. During the third quarter 2012, we entered into an encryption agreement with EchoStar for our whole-home HD DVR line of set-top boxes (the XiP Encryption Agreement) pursuant to which EchoStar provides 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 initial term of the XiP Encryption Agreement was for a period until December 31, 2014. Under the XiP Encryption Agreement, we had the option, but not the obligation, to extend the XiP Encryption Agreement for one additional year upon 180 days notice prior to the end of the term. On May 5, 2014, we provided EchoStar notice to extend the XiP Encryption Agreement for one additional year until December 31, 2015. We and EchoStar each have the right to terminate the XiP Encryption Agreement for any reason upon at least 30 days notice and 180 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.

Sling Trademark License Agreement. On December 31, 2014, Sling TV L.L.C. entered into an agreement with Sling Media, Inc., a subsidiary of EchoStar, pursuant to which we have the right for a fixed fee to use certain trademarks, domain names and other intellectual property related to the Sling trademark for a period ending on December 31, 2016.

Other Agreements EchoStar

Receiver Agreement. EchoStar is currently our primary supplier of set-top box receivers. Effective January 1, 2012, we and EchoStar entered into a receiver agreement (the 2012 Receiver Agreement) pursuant to which we had the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment from EchoStar for the period from January 1, 2012 to December 31, 2014. We had 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 provided EchoStar notice to extend the 2012 Receiver Agreement for one additional year until December 31, 2015. The 2012 Receiver Agreement allows us to purchase digital set-top boxes, related accessories and other equipment from EchoStar either: (i) at a cost (decreasing as EchoStar reduces 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 EchoStar s 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, EchoStar s margins will be increased if they are able to reduce the costs of their digital set-top boxes and their margins will be reduced if these costs increase. EchoStar provides us 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. We are able to terminate the 2012 Receiver Agreement for any reason upon at least 60 days notice to EchoStar. EchoStar is able to terminate the 2012 Receiver Agreement if certain entities acquire us.

For the three months ended March 31, 2015 and 2014, we purchased set-top boxes and other equipment from EchoStar of $223 million and $294 million, respectively. Included in these amounts are purchases of certain broadband equipment from EchoStar under the 2012 Receiver Agreement. These amounts are initially included in Inventory and are subsequently capitalized as Property and equipment, net on our Condensed Consolidated Balance Sheets or expensed as Subscriber acquisition costs on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed.

Tax Sharing Agreement. In connection with the Spin-off, we entered into a tax sharing agreement with EchoStar 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 us, and we will indemnify EchoStar for such taxes. However, we are not liable for and will not indemnify EchoStar for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended (the Code)

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

because of: (i) a direct or indirect acquisition of any of EchoStar s stock, stock options or assets; (ii) any action that EchoStar takes or fails to take; or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the Internal Revenue Service (IRS) in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar is solely liable for, and will indemnify us 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.

TiVo. On April 29, 2011, we and EchoStar entered into a settlement agreement with TiVo Inc. (TiVo). The settlement resolved all pending litigation between us and EchoStar, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH digital video recorders, or 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 EchoStar were dissolved. We and EchoStar are jointly responsible for making payments to TiVo in the aggregate amount of $500 million, including an initial payment of $300 million and the remaining $200 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 of EchoStar from us, we made the initial payment to TiVo in May 2011, except for the contribution from EchoStar totaling approximately $10 million, representing an allocation of liability relating to EchoStar s sales of DVR-enabled receivers to an international customer. Future payments will be allocated between us and EchoStar based on historical sales of certain licensed products, with us being responsible for 95% of each annual payment.

Patent Cross-License Agreements. During December 2011, we and EchoStar entered into separate patent cross-license agreements with the same third party whereby: (i) EchoStar and such third party licensed their respective patents to each other subject to certain conditions; and (ii) we and such third party licensed our 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 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 million. However, we and EchoStar 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 revenues of us and EchoStar, we and EchoStar agreed to allocate our respective payments to such third party based on our respective percentage of combined total revenue.

Hughes Broadband Distribution Agreement. Effective October 1, 2012, dishNET Satellite Broadband L.L.C. (dishNET Satellite Broadband), our indirect wholly-owned subsidiary, and HNS entered into a Distribution Agreement (the Distribution Agreement) pursuant to which dishNET Satellite Broadband has the right, but not the obligation, to market, sell and distribute the HNS satellite Internet service (the Service). dishNET Satellite Broadband pays HNS a monthly per subscriber wholesale service fee for the Service based upon the subscriber s service level, and, beginning January 1, 2014, certain volume subscription thresholds. The Distribution Agreement also provides that dishNET Satellite Broadband has the right, but not the obligation, to purchase certain broadband equipment from HNS to support the sale of the Service. The Distribution Agreement initially had a term of five years with automatic renewal for successive one year terms unless either party gives written notice of its intent not to renew to the other party at least 180 days before the expiration of the then-current term. As part of the Satellite and Tracking Stock Transaction, on February 20, 2014, dishNET Satellite Broadband and HNS amended 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 Service to the then-current dishNET subscribers pursuant to the terms and conditions of the Distribution

Agreement. During the three months ended March 31, 2015 and 2014, we incurred $21 million and $15 million,

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

respectively, for these services from HNS, which are included in Subscriber-related expenses on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

During the three months ended March 31, 2015 and 2014, we purchased broadband equipment from HNS of $1 million and $10 million, respectively. These amounts are initially included in Inventory and are subsequently capitalized as Property and equipment, net on our Condensed Consolidated Balance Sheets or expensed as Subscriber acquisition costs on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed. We also purchase certain broadband equipment from EchoStar under the 2012 Receiver Agreement, as previously discussed. In addition, see above for further information regarding the Distribution Agreement.

Radio Access Network Agreement. On November 29, 2012, we entered into an agreement with HNS pursuant to which HNS constructed for us a ground-based satellite radio access network (RAN) for a fixed fee. This agreement was terminated during the fourth quarter 2014. At that time, we had incurred expenses of $18 million for these services.

Amended and Restated T2 Development Agreement. On August 29, 2013, we and EchoStar entered into a development agreement (the T2 Development Agreement) with respect to the T2 satellite, by which EchoStar reimbursed us for amounts we paid pursuant to an authorization to proceed (the T2 ATP) with SS/L related to the T2 satellite construction contract. In exchange, we granted EchoStar a right of first refusal and right of first offer to purchase our rights in T2 during the term of the T2 Development Agreement. During the fourth quarter 2013, we and EchoStar amended and restated the T2 Development Agreement (the Amended and Restated T2 Development Agreement), which superseded and replaced the T2 Development Agreement. Under the Amended and Restated T2 Development Agreement, EchoStar reimbursed us for amounts we paid pursuant to the T2 ATP with SS/L. During the three months ended March 31, 2014, we received payments from EchoStar of approximately $3 million under the Amended and Restated T2 Development Agreement to reimburse us for amounts paid to SS/L. In exchange, we granted EchoStar the right and option to purchase our rights in the T2 satellite for the sum of $55 million, exercisable at any time during the term of the Amended and Restated T2 Development Agreement. During the fourth quarter 2014, EchoStar purchased our rights to the T2 satellite for $55 million. In accordance with accounting principles that apply to transfers of assets between companies under common control, we recorded the difference between our historical cost basis of the satellite and the fair value of the satellite transferred to EchoStar as a $9 million, net of deferred taxes, capital contribution in Additional paid-in capital on our Condensed Consolidated Balance Sheets.

Sling TV Holding L.L.C. Effective July 1, 2012, we and EchoStar formed Sling TV, which was owned two-thirds by us and one-third by EchoStar and was consolidated into our financial statements beginning July 1, 2012. Sling TV was formed to develop and commercialize certain advanced technologies. At that time, we, EchoStar and Sling TV entered into the following agreements with respect to Sling TV: (i) a contribution agreement pursuant to which we and EchoStar contributed certain assets in exchange for our respective ownership interests in Sling TV; (ii) a limited liability company operating agreement (the Operating Agreement), which provides for the governance of Sling TV; and (iii) a commercial agreement (the Commercial Agreement) pursuant to which, among other things, Sling TV 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 EchoStar, respectively. Since this was a formation of an entity under common control and a step-up in basis was not allowed, each party s contributions were recorded at historical book value for accounting purposes.

Effective August 1, 2014, EchoStar and Sling TV entered into an exchange agreement (the Exchange Agreement) pursuant to which, among other things, Sling TV distributed certain assets to EchoStar and EchoStar reduced its interest in Sling TV to a ten percent non-voting interest. We now have a ninety percent equity interest and a 100% voting interest in Sling TV. In addition, we, EchoStar and Sling TV amended and restated the Operating Agreement, primarily to reflect the changes implemented by the Exchange Agreement. Finally, we, EchoStar and

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Sling TV amended and restated the Commercial Agreement, pursuant to which, among other things, Sling TV: (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 EchoStar; and (3) has a license from EchoStar to use certain of the assets distributed to EchoStar as part of the Exchange Agreement. On February 9, 2015, we launched a live, linear streaming over-the-top (OTT) Internet-based domestic video programming service under the Sling TV brand.

Since the Exchange Agreement is among entities under common control, we recorded the difference between the historical cost basis of the assets transferred to EchoStar and our historical cost basis in EchoStar s one-third noncontrolling interest in Sling TV as a $6 million, net of deferred taxes, capital distribution in Additional paid-in capital on our Condensed Consolidated Balance Sheets. In addition, we recorded the initial fair value of EchoStar s ten percent non-voting interest as a $14 million, net of deferred taxes, deemed distribution in Additional paid-in capital on our Condensed Consolidated Balance Sheets. All services provided to Sling TV by EchoStar under the Commercial Agreement are recorded in Satellite and transmission expenses and General and administrative expenses on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Satellite and transmission expenses and General and administrative expenses within the related party section previously discussed.

EchoStar s ten percent non-voting interest is redeemable, subject to certain conditions, at fair value within sixty days following the fifth anniversary of the Exchange Agreement. This interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of Redeemable noncontrolling interest in the mezzanine section of our Condensed Consolidated Balance Sheets. EchoStar s redeemable noncontrolling interest in Sling TV was initially accounted for at fair value, which established a minimum threshold value for this interest. Redemption of the interest is contingent on a certain performance goal being achieved by Sling TV, which is not yet probable of being achieved.

SlingService Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we receive 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 had an initial term of five years with automatic renewal for successive one year terms. This agreement automatically renewed on February 23, 2015 for an additional one-year period until February 23, 2016. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar. During each of the three months ended March 31, 2015 and 2014, we incurred expenses of $1 million for these services from EchoStar, which are included in Subscriber-related expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

DISH Remote Access Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we receive, among other things, certain remote 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 had an initial term of five years with automatic renewal for successive one year terms. This agreement automatically renewed on February 23, 2015 for an additional one-year period until February 23, 2016. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar. During each of the three months ended March 31, 2015 and 2014, we incurred expenses of $1 million for these services from EchoStar, which are included in Subscriber-related expenses on the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Satellite and Tracking Stock Transaction with EchoStar. To improve our position in the growing consumer satellite broadband market, among other reasons, on February 20, 2014, we entered into the Satellite and Tracking Stock Transaction with EchoStar pursuant to which, among other things: (i) on March 1, 2014, we transferred to EchoStar and HSSC the Transferred Satellites, including related in-orbit incentive obligations and cash interest payments of approximately $59 million and approximately $11 million in cash in exchange for the Tracking Stock; and (ii)

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

beginning on March 1, 2014, we lease back all available satellite capacity on the Transferred Satellites. The Satellite and Tracking Stock Transaction is further described below:

- *Transaction Agreement.* On February 20, 2014, DOLLC, DNLLC and EchoStar XI Holding L.L.C., all indirect wholly-owned subsidiaries of us, entered into the Transaction Agreement with EchoStar, HSSC and Alpha Company LLC, a wholly-owned subsidiary of EchoStar, pursuant to which, on March 1, 2014, we, among other things, transferred to EchoStar and HSSC the Transferred Satellites in exchange for the Tracking Stock. The Tracking Stock generally tracks the Hughes Retail Group. The shares of the Tracking Stock issued to us represent an aggregate 80% economic interest in the Hughes Retail Group. Since the Satellite and Tracking Stock Transaction is among entities under common control, we recorded the Tracking Stock at EchoStar s and HSSC s historical cost basis for these instruments of $229 million and $87 million, respectively. The difference between the historical cost basis of the Tracking Stock received and the net carrying value of the Transferred Satellites of $356 million (including debt obligations, net of deferred taxes), plus the $11 million in cash, resulted in a $51 million capital transaction recorded in Additional paid-in capital on our Condensed Consolidated Balance Sheets. Although our investment in the Tracking Stock represents an aggregate 80% economic interest in the Hughes Retail Group, we have no operational control or significant influence over the Hughes Retail Group business, and currently there is no public market for the Tracking Stock. As such, the Tracking Stock is accounted for under the cost method of accounting. The Transaction Agreement includes, among other things, customary mutual provisions for representations, warranties and indemnification.

- *Satellite Capacity Leased from EchoStar.* On February 20, 2014, we entered into satellite capacity agreements with certain subsidiaries of EchoStar pursuant to which, beginning March 1, 2014, we, among other things, lease all available satellite capacity on the Transferred Satellites. See further discussion under *Satellite and transmission expenses Satellite Capacity Leased from EchoStar*.

- *Investor Rights Agreement.* On February 20, 2014, EchoStar, HSSC, DOLLC and DNLLC (DOLLC and DNLLC, collectively referred to as the DISH Investors) also entered into the Investor Rights Agreement with respect to the Tracking Stock. The Investor Rights Agreement provides, among other things, certain information and consultation rights for the DISH Investors; certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfers of the Tracking Stock for one year, with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to EchoStar in connection with a change of control of us and a right to require EchoStar to repurchase the Tracking Stock in connection with a change of control of EchoStar, in each case subject to certain terms and conditions); certain registration rights; certain obligations to provide conversion and exchange rights of the Tracking Stock under certain circumstances; and certain protective covenants afforded to holders of the Tracking Stock. The Investor Rights Agreement generally will terminate as to the DISH Investors at such time as the DISH Investors no longer hold any shares of the HSSC-issued Tracking Stock and any registrable securities under the Investor Rights Agreement.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Other

In November 2009, Mr. Roger Lynch became employed by both us and EchoStar as an Executive Vice President. Mr. Lynch is responsible for the development and implementation of advanced technologies that are of potential utility and importance to both DISH Network and EchoStar. Mr. Lynch s compensation consisted of cash and equity compensation and was borne by both EchoStar and DISH Network. As of January 1, 2015, Mr. Lynch is solely a DISH Network employee.

Related Party Transactions with NagraStar L.L.C.

NagraStar is a joint venture between EchoStar and Nagra USA, Inc. that is our provider of encryption and related security systems intended to assure that only authorized customers have access to our programming. These expenses are recorded in Subscriber-related expenses on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). We record all payables in Trade accounts payable other or Other accrued expenses on our Condensed Consolidated Balance Sheets.

The table below summarizes our transactions with NagraStar.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Purchases (including fees):		
Purchases from NagraStar	$ 22,498	$ 20,203

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Amounts Payable and Commitments:		
Amounts payable to NagraStar	$ 13,783	$ 14,819
Commitments to NagraStar	$ 9,545	$ 12,368

Table of Contents

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

You should read the following management s discussion and analysis of our financial condition and results of operations together 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 financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption Item 1A. Risk Factors. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation to update any forward-looking statements.

Overview

Our business strategy is to be the best provider of video services in the United States by providing products with the best technology, outstanding customer service, and great value. We promote DISH® branded programming packages as providing our subscribers with a better price-to-value relationship than those available from other subscription television service providers. We believe that there continues to be unsatisfied demand for high-quality, reasonably priced subscription television services.

We generate revenue primarily by providing pay-TV programming and broadband services to our subscribers. We also generate revenue from pay-TV equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment, equipment upgrade fees and additional outlet fees from subscribers with receivers with multiple tuners; advertising services; and fees earned from our in-home service operations. Our most significant expenses are subscriber-related expenses, which are primarily related to programming, subscriber acquisition costs and depreciation and amortization.

Financial Highlights

2015 First Quarter Consolidated Results of Operations and Key Operating Metrics

- Revenue of $3.724 billion
- Pay-TV ARPU of $86.01
- Net income attributable to DISH Network of $351 million and basic earnings per share of common stock of $0.76
- Gross new Pay-TV subscriber activations of approximately 554,000

- Loss of approximately 134,000 net Pay-TV subscribers
- Pay-TV subscriber churn rate of 1.65%
- Addition of approximately 14,000 net broadband subscribers

Consolidated Financial Condition as of March 31, 2015

- Cash, cash equivalents and current marketable investment securities of $1.399 billion
- Total assets of $22.925 billion
- Total long-term debt and capital lease obligations of $14.423 billion

Business Segments

DISH

Our DISH branded pay-TV service (DISH) had 13.844 million subscribers in the United States as of March 31, 2015 and is the nation s third largest pay-TV provider. The majority of our current revenue and profit is derived from providing pay-TV services. Competition in the pay-TV industry has intensified in recent years. To differentiate ourselves from our competitors, we introduced the Hopper® whole-home DVR during 2012 and have continued to add functionality and simplicity for a more intuitive user experience. Our current generation Hopper and Joey® whole-home DVR promotes a suite of integrated features and functionality designed to maximize the convenience and ease of

Table of Contents

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

watching TV anytime and anywhere. It also has several innovative features that a consumer can use, at his or her option, to watch and record television programming, including recording up to eight shows at a time, through Internet-connected tablets, smartphones and computers. During January 2015, we announced certain upcoming technological advancements including 4K Ultra HD capable receivers, a new remote control and user interface with advanced voice command capability, and more mobile applications. There can be no assurance that these integrated features and functionality will positively affect our results of operations or our gross new Pay-TV subscriber activations.

In addition, we bundle broadband and telephone services with our pay-TV services. As of March 31, 2015, we had 0.591 million broadband subscribers in the United States. Connecting our subscribers receivers to broadband service enhances the video experience and facilitates access to DISH branded programming services on mobile devices. We market our wireline and satellite broadband services under the dishNET brand. Our dishNET satellite broadband service primarily targets rural residents that are underserved, or unserved, by wireline broadband, and provides download speeds of up to 15 Mbps and our dishNET branded wireline broadband service provides download speeds of up to 20 Mbps.

Over-the-top video programming services. We offer live, linear streaming over-the-top (OTT) Internet-based domestic and international video programming services under the Sling brand. We market our OTT services primarily to consumers who do not subscribe to traditional satellite and cable pay-TV services. Our OTT services require an Internet connection and are available through certain streaming-capable devices. We have historically offered, and continue to offer, a live, linear streaming OTT international video programming service to a small number of Pay-TV subscribers under the Sling International brand (formerly known as the DishWorld brand). Sling International offers nearly 200 channels in 18 languages. Our Sling International subscribers are included in our Pay-TV subscriber count and represent a small percentage of our customers. On February 9, 2015, we launched a live, linear streaming OTT domestic video programming service under the Sling TV brand. The Sling TV core package consists of 20 channels offered for a $20 monthly subscription. In addition to the core programming package, Sling TV offers additional tiers of programming, including news, children s and premium programming, each for an additional monthly fee, as well as a video on-demand programming library. We expect to expand the programming content offered by Sling TV during 2015. Our Sling TV subscribers are not included in our Pay-TV subscriber count.

Wireless

DISH Spectrum. We have invested over $5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. We may also determine that additional wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. In addition, as we review our options for the commercialization of our wireless spectrum, we may incur significant additional expenses and may have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure, as well as the acquisition of additional wireless spectrum. We may need to raise significant additional capital in the future to fund these efforts, which may not be available on acceptable terms or at all. There can be no assurance that we will be able to develop and implement a business model that will realize a return on these wireless spectrum licenses or that we will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying value of these assets and our future financial condition or results of operations. See Note 10 *Commitments and Contingencies DISH Spectrum* in the Notes to our Condensed Consolidated Financial Statements for further discussion.

AWS-3 Auction. On February 13, 2015, Northstar Wireless, LLC (Northstar Wireless) and SNR Wireless LicenseCo, LLC (SNR Wireless) each filed applications with the Federal Communications Commission (FCC) to acquire certain AWS-3 wireless spectrum licenses (the AWS-3 Licenses) that were made available in the auction designated by the FCC as Auction 97 (the AWS-3 Auction) for which it was named as winning bidder and had made the required down payments. Issuance of any AWS-3 Licenses to Northstar Wireless (the Northstar Licenses) or SNR Wireless (the SNR Licenses) depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. On April 29, 2015, the FCC issued a

Table of Contents

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

public notice that, among other things, found the applications filed by Northstar Wireless and SNR Wireless, upon initial review, to be acceptable for filing. The FCC s public notice also set the following filing deadlines related to the applications: (i) petitions to deny the applications must be filed no later than May 11, 2015; (ii) oppositions to a petition to deny the applications must be filed no later than May 18, 2015; and (iii) replies to oppositions must be filed no later than May 26, 2015. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless. In addition, on April 29, 2015, we received a letter from the United States Senate Committee on Commerce, Science and Transportation (the Senate Committee), requesting certain information related to our relationship with Northstar Wireless and SNR Wireless and our participation in the AWS-3 Auction. We cannot predict the timing or the outcome of the Senate Committee s inquiry.

We own an 85% non-controlling interest in each of Northstar Spectrum, LLC (Northstar Spectrum) and SNR Wireless Holdco, LLC (SNR Holdco), the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless made the final payments to the FCC on March 2, 2015 for the Northstar Licenses and the SNR Licenses, respectively, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, were approximately $9.778 billion. Under the applicable accounting guidance in Accounting Standards Codification 810, Consolidation (ASC 810), Northstar Spectrum and SNR Holdco are considered variable interest entities and, based on the characteristics of the structure of these entities and in accordance with the applicable accounting guidance, we have consolidated these entities into our financial statements beginning in the fourth quarter 2014. See Note 2 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

In the event that the FCC grants the Northstar Licenses and the SNR Licenses, we may need to make significant additional loans to Northstar Spectrum and Northstar Wireless (collectively, the Northstar Entities) and to SNR Holdco and SNR Wireless (collectively, the SNR Entities), or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate the Northstar Licenses and the SNR Licenses, and comply with regulations applicable to the Northstar Licenses and the SNR Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities.

As a result of, among other things, our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all, to among other things, continue investing in our businesses and to pursue acquisitions and other strategic transactions. In addition, economic weakness or weak results of operations may limit our ability to generate sufficient internal cash to fund these non-controlling debt and equity investments, capital expenditures, acquisitions and other strategic transactions, as well as to fund ongoing operations and service our debt. As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

See Note 10 *Commitments and Contingencies AWS-3 Auction* in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Trends in our DISH Business

Competition

We and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other s existing subscriber bases rather than from first-time purchasers of pay-TV services. Some of our competitors have been especially aggressive by offering discounted programming and services for both new and existing subscribers. We incur significant costs to retain our existing customers, mostly as a result of upgrading their equipment to HD and DVR receivers and by providing retention credits. Our subscriber retention costs may vary significantly from period to period.

We also face competition from content providers and other companies who distribute video directly to consumers over the Internet. Programming offered over the Internet has become more prevalent and consumers are spending

Table of Contents

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

an increasing amount of time accessing video content via the Internet on their mobile devices. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to digital media competition could materially adversely affect our business, results of operations and financial condition or otherwise disrupt our business. In particular, consumers have shown increased interest in viewing certain video programming in any place, at any time and/or on any broadband-connected device they choose. Online platforms may cause our subscribers to disconnect our services (cord cutting), downgrade to smaller, less expensive programming packages (cord shaving) or elect to purchase through these online platforms a certain portion of the services that they would have historically purchased from us, such as pay per view movies, resulting in less revenue to us.

While we plan to implement new marketing efforts, there can be no assurance that we will ultimately be successful increasing our gross new Pay-TV subscriber activations. Additionally, in response to our new efforts, we may face increased competitive pressures, including aggressive marketing, discounted promotional offers and more aggressive retention efforts.

Programming

Our ability to compete successfully will depend, among other things, on our ability to continue to obtain desirable programming and deliver it to our subscribers at competitive prices. Programming costs represent a large percentage of our Subscriber-related expenses and the largest component of our total expense. We expect these costs to continue to increase, especially for local broadcast channels and sports programming. Going forward, our margins may face pressure if we are unable to renew our long-term programming contracts on favorable pricing and other economic terms.

Increases in programming costs could cause us to increase the rates that we charge to our subscribers, which could in turn cause our existing Pay-TV subscribers to disconnect our service or cause potential new Pay-TV subscribers to choose not to subscribe to our service. Additionally, even if our subscribers do not disconnect our services, they may purchase through new and existing online platforms a certain portion of the services that they would have historically purchased from us, such as pay-per-view movies, resulting in less revenue to us.

Furthermore, our gross new Pay-TV subscriber activations and Pay-TV churn rate may be negatively impacted if we are unable to renew our long-term programming contracts before they expire. Our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively impacted as a result of multiple programming interruptions and threatened programming interruptions in connection with the scheduled expiration of programming carriage contracts with several content providers, including, among others, Turner Networks, 21st Century Fox and certain local network affiliates. In particular, we suffered from lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions and higher Pay-TV churn rate beginning in the fourth quarter 2014 and continuing in the first quarter 2015, when, among others, certain programming from 21st Century Fox, including Fox entertainment and news channels, was not available on our service. Although we believe that the impact of the programming interruptions that occurred beginning in the fourth quarter 2014 and continued in the first quarter 2015 has now subsided, we cannot predict with any certainty the impact to our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate resulting from similar programming interruptions that may occur in the future. As a result, we may at times suffer from periods of lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions and higher Pay-TV churn rates as we did beginning in the fourth quarter 2014 and continuing in the first quarter 2015.

Operations and Customer Service

While economic factors have impacted the entire pay-TV industry, our relative performance has also been driven by issues specific to us. In the past, our Pay-TV subscriber growth has been adversely affected by signal theft and other forms of fraud and by our operational inefficiencies. To combat signal theft and improve the security of our broadcast system, we use microchips embedded in credit card sized access cards, called smart cards, or security chips in our receiver systems to control access to authorized programming content (Security Access Devices). We expect that future replacements of these devices will be necessary to keep our system secure. To combat other forms of fraud, we monitor our third party distributors and retailers adherence to our business rules.

Table of Contents

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

While we have made improvements in responding to and dealing with customer service issues, we continue to focus on the prevention of these issues, which is critical to our business, financial condition and results of operations. To improve our operational performance, we continue to make investments in staffing, training, information systems, and other initiatives, primarily in our call center and in-home service operations. These investments are intended to help combat inefficiencies introduced by the increasing complexity of our business, improve customer satisfaction, reduce churn, increase productivity, and allow us to scale better over the long run. We cannot be certain, however, that our spending will ultimately be successful in improving our operational performance.

Changes in our Technology

We have been deploying receivers that utilize 8PSK modulation technology with MPEG-4 compression technology for several years. These technologies, when fully deployed, will allow improved broadcast efficiency, and therefore allow increased programming capacity. Many of our customers today, however, do not have receivers that use MPEG-4 compression technology and a small number of our customers have receivers that use QPSK modulation technology. In addition, given that all of our HD content is broadcast in MPEG-4, any growth in HD penetration will naturally accelerate our transition to these newer technologies and may increase our subscriber acquisition and retention costs. All new receivers that we purchase from EchoStar Corporation (EchoStar) have MPEG-4 compression with 8PSK modulation technology. Although we continue to refurbish and redeploy certain MPEG-2 receivers with 8PSK modulation technology, as a result of our HD initiatives and current promotions, we currently activate most new customers with higher priced MPEG-4 technology. This limits our ability to redeploy MPEG-2 receivers with 8PSK modulation technology and, to the extent that our promotions are successful, will accelerate the transition to MPEG-4 technology, resulting in an adverse effect on our acquisition costs per new subscriber activation.

For several years we have been selectively upgrading customers with QPSK receivers to 8PSK receivers concurrent with scheduled in-home service visits or through receiver exchanges. During 2014, we expanded that effort to all of our remaining customers that have QPSK receivers. Also during 2014, we began selectively upgrading customers in approximately ten percent of our local markets from MPEG-2 to MPEG-4 receivers. We are implementing this upgrade to conform to the capabilities of our EchoStar XVIII satellite, scheduled for launch during the fourth quarter 2015. We expect these receiver upgrade efforts to be completed in the next two years. However, the schedule and the incremental costs of these receiver upgrades could change due to many factors, including, among other things, satellite health and capacity.

From time to time, we change equipment for certain subscribers to make more efficient use of transponder capacity in support of HD and other initiatives. We believe that the benefit from the increase in available transponder capacity outweighs the short-term cost of these equipment changes.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. Subscriber-related revenue consists principally of revenue from basic, premium movie, local, HD programming, pay-per-view, Latino and international subscription pay-TV services; broadband services; equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment, equipment upgrade fees and additional outlet fees from subscribers with receivers with

multiple tuners; advertising services; fees earned from our in-home service operations and other subscriber revenue. Certain of the amounts included in Subscriber-related revenue are not recurring on a monthly basis.

Equipment sales and other revenue. Equipment sales and other revenue principally includes the non-subsidized sales of DBS accessories to retailers and other third-party distributors of our equipment.

Equipment sales, services and other revenue EchoStar. Equipment sales, services and other revenue EchoStar includes revenue related to equipment sales, services, and other agreements with EchoStar.

Subscriber-related expenses. Subscriber-related expenses principally include pay-TV programming expenses, which represent a substantial majority of these expenses. Subscriber-related expenses also include costs for pay-TV and broadband services incurred in connection with our in-home service and call center operations, billing costs, refurbishment and repair costs related to Pay-TV receiver systems and broadband equipment, subscriber retention, other variable subscriber expenses and monthly wholesale fees paid to broadband providers.

Satellite and transmission expenses. Satellite and transmission expenses includes the cost of leasing satellite and transponder capacity from EchoStar and the cost of digital broadcast operations provided to us by EchoStar, including satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, and other professional services. In addition, Satellite and transmission expenses includes executory costs associated with capital leases and costs associated with transponder leases and other related services.

Table of Contents

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

Cost of sales - equipment, services and other. Cost of sales - equipment, services and other primarily includes the cost of non-subsidized sales of DBS accessories to retailers and other third-party distributors of our equipment. In addition, Cost of sales - equipment, services and other includes costs related to equipment sales, services, and other agreements with EchoStar.

Subscriber acquisition costs. While we primarily lease pay-TV receiver systems and Broadband modem equipment, we also subsidize certain costs to attract new Pay-TV and Broadband subscribers. Our Subscriber acquisition costs include the cost of subsidized sales of pay-TV receiver systems to retailers and other third-party distributors of our equipment, the cost of subsidized sales of pay-TV receiver systems directly by us to subscribers, including net costs related to our promotional incentives, costs related to our direct sales efforts and costs related to installation and acquisition advertising. We exclude the value of equipment capitalized under our lease programs for new Pay-TV and Broadband subscribers from Subscriber acquisition costs.

Pay-TV SAC. Subscriber acquisition cost measures are commonly used by those evaluating companies in the pay-TV industry. We are not aware of any uniform standards for calculating the average subscriber acquisition costs per new Pay-TV subscriber activation, or Pay-TV SAC, and we believe presentations of Pay-TV SAC may not be calculated consistently by different companies in the same or similar businesses. Our Pay-TV SAC is calculated as Subscriber acquisition costs, excluding Subscriber acquisition costs associated with our broadband services, plus the value of equipment capitalized under our lease program for new Pay-TV subscribers, divided by gross new Pay-TV subscriber activations. We include all the costs of acquiring Pay-TV subscribers (e.g., subsidized and capitalized equipment) as we believe it is a more comprehensive measure of how much we are spending to acquire subscribers. We also include all new Pay-TV subscribers in our calculation, including Pay-TV subscribers added with little or no subscriber acquisition costs.

General and administrative expenses. General and administrative expenses consists primarily of employee-related costs associated with administrative services such as legal, information systems, accounting and finance, including non-cash, stock-based compensation expense. It also includes outside professional fees (e.g., legal, information systems and accounting services) and other items associated with facilities and administration.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized primarily includes interest expense (net of capitalized interest), prepayment premiums and amortization of debt issuance costs associated with our senior debt, and interest expense associated with our capital lease obligations.

Other, net. The main components of Other, net are gains and losses realized on the sale and/or conversion of marketable and non-marketable investment securities and derivative financial instruments, impairment of marketable and non-marketable investment securities, unrealized gains and losses from changes in fair value of marketable and non-marketable strategic investments accounted for under the Fair Value Option and derivative financial instruments, and equity in earnings and losses of our affiliates.

Earnings before interest, taxes, depreciation and amortization (EBITDA). EBITDA is defined as Net income (loss) attributable to DISH Network plus Interest expense, net of amounts capitalized net of Interest income, Income tax (provision) benefit, net and Depreciation and

amortization. This non-GAAP measure is reconciled to Net income (loss) attributable to DISH Network in our discussion of Results of Operations below.

Pay-TV subscribers. We include customers obtained through direct sales, third-party retailers and other third-party distribution relationships in our Pay-TV subscriber count. We also provide pay-TV service to hotels, motels and other commercial accounts. For certain of these commercial accounts, we divide our total revenue for these commercial accounts by an amount approximately equal to the retail price of our DISH America programming package, and include the resulting number, which is substantially smaller than the actual number of commercial units served, in our Pay-TV subscriber count. Our Pay-TV subscriber count also includes a small percentage of customers, primarily with foreign language programming, who receive their pay-TV programming from us through our Sling International OTT service.

Table of Contents

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

Broadband subscribers. We include customers who subscribe to either our satellite broadband service or our wireline broadband service under the dishNET brand as Broadband subscribers. Each broadband customer is counted as one Broadband subscriber, regardless of whether they are also a Pay-TV subscriber. A subscriber of both our pay-TV and broadband services is counted as one Pay-TV subscriber and one Broadband subscriber.

Pay-TV average monthly revenue per subscriber (Pay-TV ARPU). We are not aware of any uniform standards for calculating ARPU and believe presentations of ARPU may not be calculated consistently by other companies in the same or similar businesses. We calculate Pay-TV average monthly revenue per Pay-TV subscriber, or Pay-TV ARPU, by dividing average monthly Subscriber-related revenue, excluding revenue from broadband services, for the period by our average number of Pay-TV subscribers for the period. The average number of Pay-TV subscribers is calculated for the period by adding the average number of Pay-TV subscribers for each month and dividing by the number of months in the period. The average number of Pay-TV subscribers for each month is calculated by adding the beginning and ending Pay-TV subscribers for the month and dividing by two.

Pay-TV average monthly subscriber churn rate (Pay-TV churn rate). We are not aware of any uniform standards for calculating subscriber churn rate and believe presentations of subscriber churn rates may not be calculated consistently by different companies in the same or similar businesses. We calculate Pay-TV churn rate for any period by dividing the number of Pay-TV subscribers who terminated service during the period by the average number of Pay-TV subscribers for the same period, and further dividing by the number of months in the period. When calculating the Pay-TV churn rate, the same methodology for calculating average number of Pay-TV subscribers is used as when calculating Pay-TV ARPU.

Adjusted free cash flow. We define adjusted free cash flow as Net cash flows from operating activities from continuing operations less Purchases of property and equipment, as shown on our Condensed Consolidated Statements of Cash Flows.

Sling TV OTT Service Launch. On February 9, 2015, we launched Sling TV, a live, linear streaming OTT domestic video programming service. Operating results related to our Sling TV OTT service are not included in Subscriber-related revenue, Subscriber-related expenses, Subscriber acquisition costs, Pay-TV SAC, Pay-TV subscribers, Pay-TV ARPU or Pay-TV churn rate. Operating results related to our Sling TV OTT service are included in Equipment sales and other revenue, Satellite and transmission expenses, Cost of sales equipment, services and other, General and administrative expenses and Depreciation and amortization.

Table of Contents

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

RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014.

Statements of Operations Data	For the Three Months Ended March 31, 2015	2014	Variance Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 3,688,920	$ 3,556,187	$ 132,733	3.7
Equipment sales and other revenue	22,467	22,239	228	1.0
Equipment sales, services and other revenue - EchoStar	12,841	15,772	(2,931)	(18.6)
Total revenue	3,724,228	3,594,198	130,030	3.6
Costs and Expenses:				
Subscriber-related expenses	2,162,766	2,069,132	93,634	4.5
% of Subscriber-related revenue	**58.6%**	**58.2%**		
Satellite and transmission expenses	186,840	149,496	37,344	25.0
% of Subscriber-related revenue	**5.1%**	**4.2%**		
Cost of sales - equipment, services and other	39,448	27,793	11,655	41.9
Subscriber acquisition costs	396,919	449,146	(52,227)	(11.6)
General and administrative expenses	208,180	203,113	5,067	2.5
% of Total revenue	**5.6%**	**5.7%**		
Depreciation and amortization	246,212	249,220	(3,008)	(1.2)
Total costs and expenses	3,240,365	3,147,900	92,465	2.9
Operating income (loss)	483,863	446,298	37,565	8.4
Other Income (Expense):				
Interest income	8,494	14,164	(5,670)	(40.0)
Interest expense, net of amounts capitalized	(156,313)	(175,994)	19,681	11.2
Other, net	120,289	(5,189)	125,478	*
Total other income (expense)	(27,530)	(167,019)	139,489	83.5
Income (loss) before income taxes	456,333	279,279	177,054	63.4
Income tax (provision) benefit, net	(103,081)	(108,462)	5,381	5.0
Effective tax rate	**22.6%**	**38.8%**		
Net income (loss)	353,252	170,817	182,435	*
Less: Net income (loss) attributable to noncontrolling interests, net of tax	1,767	(5,114)	6,881	*
Net income (loss) attributable to DISH Network	$ 351,485	$ 175,931	$ 175,554	99.8
Other Data:				
Pay-TV subscribers, as of period end (in millions)	13.844	14.097	(0.253)	(1.8)
Pay-TV subscriber additions, gross (in millions)	0.554	0.639	(0.085)	(13.3)
Pay-TV subscriber additions, net (in millions)	(0.134)	0.040	(0.174)	*

Pay-TV average monthly subscriber churn rate (Pay-TV churn rate)		1.65%		1.42%		0.23%		16.2
Pay-TV average subscriber acquisition cost per subscriber (Pay-TV SAC)	$	854	$	862	$	(8)		(0.9)
Pay-TV average monthly revenue per subscriber (Pay-TV ARPU)	$	86.01	$	82.36	$	3.65		4.4
Broadband subscribers, as of period end (in millions)		0.591		0.489		0.102		20.9
Broadband subscriber additions, gross (in millions)		0.059		0.083		(0.024)		(28.9)
Broadband subscriber additions, net (in millions)		0.014		0.053		(0.039)		(73.6)
EBITDA	$	848,597	$	695,443	$	153,154		22.0

* Percentage is not meaningful.

Table of Contents

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

***Pay-TV subscribers*.** DISH lost approximately 134,000 net Pay-TV subscribers during the three months ended March 31, 2015, compared to the addition of approximately 40,000 net Pay-TV subscribers during the same period in 2014. The decrease in net Pay-TV subscriber additions versus the same period in 2014 resulted from a higher Pay-TV churn rate and lower gross new Pay-TV subscriber activations, primarily related to programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers.

Our Pay-TV churn rate for the three months ended March 31, 2015 was 1.65% compared to 1.42% for the same period in 2014. The increase in our Pay-TV churn rate primarily related to programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers. Our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, our ability to control piracy and other forms of fraud, and the level of our retention efforts.

During the three months ended March 31, 2015, DISH activated approximately 554,000 gross new Pay-TV subscribers compared to approximately 639,000 gross new Pay-TV subscribers during the same period in 2014, a decrease of 13.3%. Our gross new Pay-TV subscriber activations during the three months ended March 31, 2015 were negatively impacted by programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers and a delay in our marketing efforts during the first half of the quarter related to these programming interruptions. In addition, our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing, discounted promotional offers, and more aggressive retention efforts.

Our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively impacted as a result of multiple programming interruptions and threatened programming interruptions in connection with the scheduled expiration of programming carriage contracts with several content providers, including, among others, Turner Networks, 21st Century Fox and certain local network affiliates. In particular, we suffered from lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions and higher Pay-TV churn rate beginning in the fourth quarter 2014 and continuing in the first quarter 2015, when, among others, certain programming from 21st Century Fox, including Fox entertainment and news channels, was not available on our service. Although we believe that the impact of the programming interruptions that occurred beginning in the fourth quarter 2014 and continued in the first quarter 2015 has now subsided, we cannot predict with any certainty the impact to our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate resulting from similar programming interruptions that may occur in the future. As a result, we may at times suffer from periods of lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions and higher Pay-TV churn rates as we did beginning in the fourth quarter 2014 and continuing in the first quarter 2015.

We have not always met our own standards for performing high-quality installations, effectively resolving subscriber issues when they arise, answering subscriber calls in an acceptable timeframe, effectively communicating with our subscriber base, reducing calls driven by the complexity of our business, improving the reliability of certain systems and subscriber equipment, and aligning the interests of certain third-party retailers and installers to provide high-quality service. Most of these factors have affected both gross new Pay-TV subscriber activations as well as Pay-TV churn rate. Our future gross new Pay-TV subscriber activations and our Pay-TV churn rate may be negatively impacted by these factors, which could in turn adversely affect our revenue growth.

Broadband subscribers. DISH added approximately 14,000 net Broadband subscribers during the three months ended March 31, 2015, compared to the addition of approximately 53,000 net Broadband subscribers during the same period in 2014. This decrease in net Broadband subscriber additions versus the same period in 2014 resulted from lower gross new Broadband subscriber activations and a higher number of customer disconnects. During the three months ended March 31, 2015 and 2014, DISH activated approximately 59,000 and 83,000 gross new Broadband subscribers, respectively. Gross new Broadband subscriber activations declined primarily due to stricter credit policies, lower gross new Pay-TV subscriber activations and satellite capacity constraints in certain

Table of Contents

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

geographic areas. Customer disconnects were higher due to a larger Broadband subscriber base during the three months ended March 31, 2015 compared to the same period in 2014.

Subscriber-related revenue. Subscriber-related revenue totaled $3.689 billion for the three months ended March 31, 2015, an increase of $133 million or 3.7% compared to the same period in 2014. The change in Subscriber-related revenue from the same period in 2014 was primarily related to the increase in Pay-TV ARPU discussed below and increased revenue from broadband services, partially offset by a smaller average subscriber base during the three months ended March 31, 2015 compared to the same period in 2014. Included in Subscriber-related revenue was $107 million and $83 million of revenue related to our broadband services for the three months ended March 31, 2015 and 2014, respectively, representing 2.9% and 2.3% of our total Subscriber-related revenue, respectively.

Pay-TV ARPU. Pay-TV ARPU was $86.01 during the three months ended March 31, 2015 versus $82.36 during the same period in 2014. The $3.65 or 4.4% increase in Pay-TV ARPU was primarily attributable to the programming package price increases in February 2015 and 2014 and higher hardware related revenue, partially offset by a shift in programming package mix.

Subscriber-related expenses. Subscriber-related expenses totaled $2.163 billion during the three months ended March 31, 2015, an increase of $94 million or 4.5% compared to the same period in 2014. The increase in Subscriber-related expenses was primarily attributable to higher pay-TV programming costs and higher Broadband subscriber-related expenses due to the increase in our Broadband subscriber base. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates. Included in Subscriber-related expenses was $67 million and $49 million of expense related to our broadband services for the three months ended March 31, 2015 and 2014, respectively. Subscriber-related expenses represented 58.6% and 58.2% of Subscriber-related revenue during the three months ended March 31, 2015 and 2014, respectively. The change in this expense to revenue ratio primarily resulted from higher pay-TV programming costs, discussed above.

In the normal course of business, we enter into contracts to purchase programming content in which our payment obligations are generally contingent on the number of Pay-TV subscribers to whom we provide the respective content. Our Subscriber-related expenses have and may continue to face further upward pressure from price increases and the renewal of long-term pay-TV programming contracts on less favorable pricing terms. In addition, our programming expenses will continue to increase to the extent we are successful in growing our Pay-TV subscriber base.

Satellite and transmission expenses. Satellite and transmission expenses totaled $187 million during the three months ended March 31, 2015, an increase of $37 million or 25.0% compared to the same period in 2014. The increase in Satellite and transmission expenses was primarily related to an increase in transponder capacity leased from EchoStar as a result of the Satellite and Tracking Stock Transaction during the first quarter 2014. See Note 12 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Subscriber acquisition costs. Subscriber acquisition costs totaled $397 million for the three months ended March 31, 2015, a decrease of $52 million or 11.6% compared to the same period in 2014. This change was primarily attributable to a decrease in gross new Pay-TV subscriber

activations and a decrease in expense related to our Broadband subscriber activations. Included in Subscriber acquisition costs was $27 million and $39 million of expenses related to our broadband services for the three months ended March 31, 2015 and 2014, respectively.

Pay-TV SAC. Pay-TV SAC was $854 during the three months ended March 31, 2015 compared to $862 during the same period in 2014, a decrease of $8 or 0.9%. This change was primarily attributable to a decrease in hardware costs per activation, partially offset by an increase in advertising costs. The decrease in hardware costs per activation was driven by a reduction in manufacturing costs for next generation Hopper receiver systems and a higher percentage of remanufactured receivers being activated on new subscriber accounts.

During the three months ended March 31, 2015 and 2014, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled $103 million and $141 million, respectively. This decrease in capital

Table of Contents

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

expenditures under our lease program for new Pay-TV subscribers resulted primarily from fewer gross new Pay-TV subscriber activations and a decrease in hardware costs per activation, discussed above.

To remain competitive we upgrade or replace subscriber equipment periodically as technology changes, and the costs associated with these upgrades may be substantial. To the extent technological changes render a portion of our existing equipment obsolete, we would be unable to redeploy all returned equipment and consequently would realize less benefit from the Pay-TV SAC reduction associated with redeployment of that returned lease equipment.

Our Subscriber acquisition costs and Pay-TV SAC may materially increase in the future to the extent that we transition to newer technologies, introduce more aggressive promotions, or provide greater equipment subsidies. See further discussion under *Liquidity and Capital Resources Subscriber Acquisition and Retention Costs.*

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled $156 million during the three months ended March 31, 2015, a decrease of $20 million or 11.2% compared to the same period in 2014. This decrease was primarily related to an increase in capitalized interest principally associated with our wireless spectrum and a reduction in interest expense from debt redemptions during 2014, partially offset by interest expense associated with the issuance of debt in November 2014.

Other, net. Other, net income was $120 million during the three months ended March 31, 2015, compared to expense of $5 million for the same period in 2014. The three months ended March 31, 2015 was positively impacted by net realized and unrealized gains on our marketable investment securities and derivative financial instruments.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $849 million during the three months ended March 31, 2015, an increase of $153 million or 22.0% compared to the same period in 2014. EBITDA for the three months ended March 31, 2015 was positively impacted by Other, net income of $120 million. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
EBITDA	$ 848,597	$ 695,443
Interest, net	(147,819)	(161,830)
Income tax (provision) benefit, net	(103,081)	(108,462)
Depreciation and amortization	(246,212)	(249,220)
Net income (loss) attributable to DISH Network	$ 351,485	$ 175,931

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States (GAAP) and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the pay-TV industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Income tax (provision) benefit, net. Our income tax provision was $103 million during the three months ended March 31, 2015, a decrease of $5 million compared to the same period in 2014. The decrease in the provision was primarily related to a decrease in our effective tax rate, partially offset by the increase in Income (loss) before income taxes. Our effective tax rate was positively impacted by a $63 million credit that was previously recorded in Accumulated other comprehensive income (loss) and was released to our income tax provision during the three months ended March 31, 2015. See Note 5 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Table of Contents

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

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Current Marketable Investment Securities

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. See Note 6 in the Notes to the Condensed Consolidated Financial Statements for further discussion regarding our marketable investment securities. As of March 31, 2015, our cash, cash equivalents and current marketable investment securities totaled $1.399 billion compared to $9.236 billion as of December 31, 2014, a decrease of $7.837 billion. This decrease in cash, cash equivalents and current marketable investment securities primarily resulted from our non-controlling equity and debt investments in the Northstar Entities and the SNR Entities of $9.076 billion and capital expenditures of $274 million, partially offset by cash generated from continuing operations of $892 million and a refund from the FCC of our $400 million upfront payment related to the AWS-3 Auction. See Note 10 in the Notes to our Condensed Consolidated Financial Statements for further information.

Cash Flow

The following discussion highlights our cash flow activities during the three months ended March 31, 2015.

Cash flows from operating activities from continuing operations

For the three months ended March 31, 2015, we reported Net cash flows from operating activities from continuing operations of $892 million primarily attributable to $472 million of net income adjusted to exclude non-cash charges for Depreciation and amortization expense and Realized and unrealized losses (gains) on investments. In addition, Net cash flows from operating activities from continuing operations benefited from sources of cash related to changes in working capital of $378 million due to timing differences between book expense and cash payments.

Cash flows from investing activities from continuing operations

For the three months ended March 31, 2015, we reported outflows from Net cash flows from investing activities from continuing operations of $7.158 billion primarily related to our non-controlling equity and debt investments in the Northstar Entities and the SNR Entities of $9.076 billion and capital expenditures of $274 million, partially offset by net sales of marketable investment securities of $1.789 billion and a refund from the FCC of our $400 million upfront payment related to the AWS-3 Auction. The capital expenditures included $151 million for new and existing Pay-TV subscriber equipment, $8 million for new and existing Broadband subscriber equipment, $38 million for satellites and $77

million of other corporate capital expenditures.

Cash flows from financing activities from continuing operations

For the three months ended March 31, 2015, we reported Net cash flows from financing activities from continuing operations of $211 million primarily related to the $204 million in capital contributions to Northstar Spectrum and SNR Holdco from Northstar Manager and SNR Management, respectively.

Adjusted Free Cash Flow

We define adjusted free cash flow as Net cash flows from operating activities from continuing operations less Purchases of property and equipment, as shown on our Condensed Consolidated Statements of Cash Flows. We believe adjusted free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions and for certain other activities. Adjusted free cash flow is not a measure determined in accordance with GAAP and should not be considered a substitute for Operating income, Net income, Net cash flows from operating activities or any other measure determined in accordance with GAAP. Since adjusted free cash flow includes investments in operating assets, we believe this non-GAAP liquidity measure is useful in addition to the most directly comparable GAAP measure Net cash flows from operating activities from continuing operations.

Table of Contents

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

Adjusted free cash flow can be significantly impacted from period to period by changes in operating assets and liabilities and in Purchases of property and equipment as shown in the Net cash flows from operating activities from continuing operations and Net cash flows from investing activities from continuing operations sections, respectively, of our Condensed Consolidated Statements of Cash Flows included herein. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that adjusted free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management s timing of payments and control of inventory levels, and cash receipts. In addition to fluctuations resulting from changes in operating assets and liabilities, adjusted free cash flow can vary significantly from period to period depending upon, among other things, subscriber growth, subscriber revenue, subscriber churn, subscriber acquisition and retention costs including amounts capitalized under our equipment lease programs, operating efficiencies, increases or decreases in purchases of property and equipment, and other factors.

The following table reconciles adjusted free cash flow to Net cash flows from operating activities from continuing operations.

	For the Three Months Ended March 31,	
	2015	2014
	(In thousands)	
Adjusted free cash flow	$ 617,337	$ 383,060
Add back:		
Purchase of property and equipment	274,260	300,845
Net cash flows from operating activities from continuing operations	$ 891,597	$ 683,905

Operational Liquidity

Like many companies, we make general investments in property such as satellites, set-top boxes, information technology and facilities that support our overall business. However, since we are primarily a subscriber-based company, we also make subscriber-specific investments to acquire new subscribers and retain existing subscribers. While the general investments may be deferred without impacting the business in the short-term, the subscriber-specific investments are less discretionary. Our overall objective is to generate sufficient cash flow over the life of each subscriber to provide an adequate return against the upfront investment. Once the upfront investment has been made for each subscriber, the subsequent cash flow is generally positive.

There are a number of factors that impact our future cash flow compared to the cash flow we generate at a given point in time. The first factor is our Pay-TV churn rate and how successful we are at retaining our current Pay-TV subscribers. As we lose Pay-TV subscribers from our existing base, the positive cash flow from that base is correspondingly reduced. The second factor is how successful we are at maintaining our subscriber-related margins. To the extent our Subscriber-related expenses grow faster than our Subscriber-related revenue, the amount of cash flow that is generated per existing subscriber is reduced. The third factor is the rate at which we acquire new subscribers. The faster we acquire new subscribers, the more our positive ongoing cash flow from existing subscribers is offset by the negative upfront cash flow associated with acquiring new subscribers. Finally, our future cash flow is impacted by the rate at which we make general investments and any cash flow from financing activities.

Our subscriber-specific investments to acquire new subscribers have a significant impact on our cash flow. While fewer subscribers might translate into lower ongoing cash flow in the long-term, cash flow is actually aided, in the short-term, by the reduction in subscriber-specific investment spending. As a result, a slow-down in our business due to external or internal factors does not introduce the same level of short-term liquidity risk as it might in other industries.

Table of Contents

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

Subscriber Base

DISH lost approximately 134,000 net Pay-TV subscribers during the three months ended March 31, 2015, compared to the addition of approximately 40,000 net Pay-TV subscribers during the same period in 2014. The decrease in net Pay-TV subscriber additions versus the same period in 2014 resulted from a higher Pay-TV churn rate and lower gross new Pay-TV subscriber activations, primarily related to programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers. See Results of Operations above for further discussion.

Subscriber Acquisition and Retention Costs

We incur significant upfront costs to acquire subscribers, including advertising, retailer incentives, equipment subsidies, installation services, and new customer promotions. While we attempt to recoup these upfront costs over the lives of their subscription, there can be no assurance that we will. We employ business rules such as minimum credit requirements for prospective customers and we strive to provide outstanding customer service, to increase the likelihood of customers keeping their DISH service over longer periods of time. Our subscriber acquisition costs may vary significantly from period to period.

We incur significant costs to retain our existing customers, mostly by upgrading their equipment to HD and DVR receivers and by providing retention credits. As with our subscriber acquisition costs, our retention upgrade spending includes the cost of equipment and installation services. In certain circumstances, we also offer programming at no additional charge and/or promotional pricing for limited periods for existing customers in exchange for a contractual commitment to receive service for a minimum term. A component of our retention efforts includes the installation of equipment for customers who move. Our subscriber retention costs may vary significantly from period to period.

Seasonality

Historically, the first half of the year generally produces fewer gross new subscriber activations than the second half of the year, as is typical in the pay-TV industry. In addition, the first and fourth quarters generally produce a lower churn rate than the second and third quarters. However, we cannot provide assurance that this will continue in the future.

Satellites

Operation of our pay-TV service requires that we have adequate satellite transmission capacity for the programming we offer. Moreover, current competitive conditions require that we continue to expand our offering of new programming. While we generally have had in-orbit satellite capacity sufficient to transmit our existing channels and some backup capacity to recover the transmission of certain critical programming, our backup capacity is limited. In the event of a failure or loss of any of our owned or leased satellites, we may need to acquire or lease additional satellite capacity or relocate one of our other satellites and use it as a replacement for the failed or lost satellite. Such a failure could result in a prolonged loss of critical programming or a significant delay in our plans to expand programming as necessary to remain competitive and cause us to expend a significant portion of our cash to acquire or lease additional satellite capacity.

Security Systems

Increases in theft of our signal or our competitors signals could, in addition to reducing gross new subscriber activations, also cause subscriber churn to increase. We use Security Access Devices in our receiver systems to control access to authorized programming content. Our signal encryption has been compromised in the past and may be compromised in the future even though we continue to respond with significant investment in security measures, such as Security Access Device replacement programs and updates in security software, that are intended to make signal theft more difficult. It has been our prior experience that security measures may only be effective for short periods of time or not at all and that we remain susceptible to additional signal theft. We expect that future replacements of Security Access Devices will be necessary to keep our system secure. We cannot ensure that we

Table of Contents

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

will be successful in reducing or controlling theft of our programming content and we may incur additional costs in the future if our system s security is compromised.

Stock Repurchases

On October 30, 2014, our Board of Directors authorized stock repurchases of up to $1.0 billion of our outstanding Class A common stock through and including December 31, 2015. As of March 31, 2015, we may repurchase up to $1.0 billion of our Class A common stock under this plan. During the three months ended March 31, 2015, there were no repurchases of our Class A common stock.

Covenants and Restrictions Related to our Senior Notes

The indentures related to our outstanding senior notes contain restrictive covenants that, among other things, impose limitations on the ability of DISH DBS Corporation (DISH DBS) and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) enter into sale and leaseback transactions; (iii) pay dividends or make distributions on DISH DBS capital stock or repurchase DISH DBS capital stock; (iv) make certain investments; (v) create liens; (vi) enter into certain transactions with affiliates; (vii) merge or consolidate with another company; and (viii) transfer or sell assets. Should we fail to comply with these covenants, all or a portion of the debt under the senior notes could become immediately payable. The senior notes also provide that the debt may be required to be prepaid if certain change-in-control events occur. As of the date of filing of this Quarterly Report on Form 10-Q, DISH DBS was in compliance with the covenants.

Other

We are also vulnerable to fraud, particularly in the acquisition of new subscribers. While we are addressing the impact of subscriber fraud through a number of actions, there can be no assurance that we will not continue to experience fraud, which could impact our subscriber growth and churn. Economic weakness may create greater incentive for signal theft, piracy and subscriber fraud, which could lead to higher subscriber churn and reduced revenue.

Obligations and Future Capital Requirements

Future Capital Requirements

We expect to fund our future working capital, capital expenditures and debt service requirements from cash generated from operations, existing cash and marketable investment securities balances, and cash generated through raising additional capital. The amount of capital required to fund our future working capital and capital expenditure needs varies, depending on, among other things, the rate at which we acquire new subscribers and the cost of subscriber acquisition and retention, including capitalized costs associated with our new and existing subscriber equipment lease programs. The majority of our capital expenditures for 2015, with the exception of the purchase and commercialization of wireless spectrum licenses discussed below, are expected to be driven by the costs associated with subscriber premises equipment and capital expenditures for our satellite-related obligations. These expenditures are necessary to operate and maintain our pay-TV service. Consequently, we consider them to be non-discretionary. The amount of capital required will also depend on the levels of investment necessary to support potential strategic initiatives, including our plans to expand our national HD offerings and other strategic opportunities that may arise from time to time. Our capital expenditures vary depending on the number of satellites leased or under construction at any point in time, and could increase materially as a result of increased competition, significant satellite failures, or economic weakness and uncertainty. These factors could require that we raise additional capital in the future.

Volatility in the financial markets has made it more difficult at times for issuers of high-yield indebtedness, such as us, to access capital markets at acceptable terms. These developments may have a significant effect on our cost of financing and our liquidity position.

Table of Contents

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

DISH Spectrum. We have invested over $5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. We may also determine that additional wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. In addition, as we review our options for the commercialization of our wireless spectrum, we may incur significant additional expenses and may have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure, as well as the acquisition of additional wireless spectrum. We may need to raise significant additional capital in the future to fund these efforts, which may not be available on acceptable terms or at all. There can be no assurance that we will be able to develop and implement a business model that will realize a return on these wireless spectrum licenses or that we will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying value of these assets and our future financial condition or results of operations. See Note 10 *Commitments and Contingencies DISH Spectrum* in the Notes to our Condensed Consolidated Financial Statements for further discussion.

AWS-3 Auction. On February 13, 2015, Northstar Wireless and SNR Wireless each filed applications with the FCC to acquire certain AWS-3 Licenses that were made available in the AWS-3 Auction for which it was named as winning bidder and had made the required down payments. Issuance of any AWS-3 Licenses to Northstar Wireless or SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. On April 29, 2015, the FCC issued a public notice that, among other things, found the applications filed by Northstar Wireless and SNR Wireless, upon initial review, to be acceptable for filing. The FCC s public notice also set the following filing deadlines related to the applications: (i) petitions to deny the applications must be filed no later than May 11, 2015; (ii) oppositions to a petition to deny the applications must be filed no later than May 18, 2015; and (iii) replies to oppositions must be filed no later than May 26, 2015. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless. In addition, on April 29, 2015, we received a letter from the United States Senate Committee on Commerce, Science and Transportation (the Senate Committee), requesting certain information related to our relationship with Northstar Wireless and SNR Wireless and our participation in the AWS-3 Auction. We cannot predict the timing or the outcome of the Senate Committee s inquiry.

We own an 85% non-controlling interest in each of Northstar Spectrum and SNR Holdco, the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless made the final payments to the FCC on March 2, 2015 for the Northstar Licenses and the SNR Licenses, respectively, our total non-controlling equity and debt investments in the Northstar Entities and the SNR Entities were approximately $9.778 billion. Under the applicable accounting guidance in ASC 810, Northstar Spectrum and SNR Holdco are considered variable interest entities and, based on the characteristics of the structure of these entities and in accordance with the applicable accounting guidance, we have consolidated these entities into our financial statements beginning in the fourth quarter 2014. See Note 2 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

In the event that the FCC grants the Northstar Licenses and the SNR Licenses, we may need to make significant additional loans to the Northstar Entities and the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate the Northstar Licenses and the SNR Licenses, and comply with regulations applicable to the Northstar Licenses and the SNR Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities.

As a result of, among other things, our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all, to among other things, continue investing in our businesses and to pursue acquisitions and other strategic transactions. In addition, economic weakness or weak results of operations may limit our ability to generate sufficient internal cash to fund these non-controlling debt and equity investments, capital expenditures,

Table of Contents

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

acquisitions and other strategic transactions, as well as to fund ongoing operations and service our debt. As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

See Note 10 *Commitments and Contingencies AWS-3 Auction* in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Availability of Credit and Effect on Liquidity

The ability to raise capital has generally existed for us despite economic weakness and uncertainty. Modest fluctuations in the cost of capital will not likely impact our current operational plans.

Strategic Investments or Acquisitions

From time to time we evaluate opportunities for strategic investments or acquisitions that may complement our current services and products, enhance our technical capabilities, improve or sustain our competitive position, or otherwise offer growth opportunities. We may make investments in or partner with others to, among other things, expand our business into mobile and portable video, OTT and wireline and wireless data and voice services. Future material investments or acquisitions may require that we obtain additional capital, assume third party debt or incur other long-term obligations.

Debt Maturity

Our 7 3/4% Senior Notes with an aggregate principal balance of $650 million mature on May 31, 2015. Our 7 1/8% Senior Notes with an aggregate principal balance of $1.5 billion mature on February 1, 2016. We expect to fund these obligations from cash generated from operations, existing cash and marketable investment securities balances and/or cash proceeds from any debt financings.

Off-Balance Sheet Arrangements

Other than the Guarantees disclosed in Note 10 in the Notes to our Condensed Consolidated Financial Statements, we generally do not engage in off-balance sheet financing activities.

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 provides a framework for revenue recognition that replaces most existing GAAP revenue recognition guidance when it becomes effective. ASU 2014-09 will become effective for us on January 1, 2017, and allows for either a full retrospective or modified retrospective adoption. However, the FASB has proposed a potential one year deferral on the effective date for implementation of this standard. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected an adoption method nor have we determined the effect of the standard on our ongoing financial reporting.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three months ended March 31, 2015. For additional information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our Annual Report on Form 10-K for the year ended December 31, 2014.

Table of Contents

Item 4. CONTROLS AND PROCEDURES

Conclusion regarding disclosure controls and procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 10 *Commitments and Contingencies - Litigation* in the Notes to our Condensed Consolidated Financial Statements for information regarding certain legal proceedings in which we are involved.

Item 1A. RISK FACTORS

Item 1A, Risk Factors, of our Annual Report on Form 10-K for the year ended December 31, 2014 includes a detailed discussion of our risk factors.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our Class A common stock from January 1, 2015 through March 31, 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1)
		(In thousands, except share data)		
January 1 - January 31, 2015		$		$ 1,000,000
February 1 - February 28, 2015		$		$ 1,000,000
March 1 - March 31, 2015		$		$ 1,000,000
Total		$		$ 1,000,000

(1) On October 30, 2014, our Board of Directors authorized stock repurchases of up to $1.0 billion of our outstanding Class A common stock through and including December 31, 2015. Purchases under our repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors. We may elect not to purchase the maximum amount of shares allowable under this program and we may also enter into additional share repurchase programs authorized by our Board of Directors.

Table of Contents

Item 6. EXHIBITS

(a) Exhibits.

10.1*	First Amended and Restated Credit Agreement dated October 13, 2014, among American AWS-3 Wireless II L.L.C., Northstar Wireless, LLC and Northstar Spectrum, LLC, as amended on February 12, 2015. **
10.2*	First Amended and Restated Credit Agreement dated October 13, 2014, among American AWS-3 Wireless III L.L.C., SNR Wireless LicenseCo, LLC and SNR Wireless HoldCo, LLC, as amended on February 12, 2015. **
10.3*	First Amended Limited Liability Company Agreement dated October 13, 2014, among Northstar Spectrum, LLC, Northstar Manager, LLC and American AWS-3 Wireless II L.L.C., as amended on February 12, 2015. **
10.4*	First Amended and Restated Limited Liability Company Agreement dated October 13, 2014, among SNR Wireless HoldCo, LLC, SNR Wireless Management, LLC and American AWS-3 Wireless III L.L.C., as amended on February 12, 2015. **
10.5*	Management Services Agreement dated September 12, 2014, between American AWS-3 Wireless II L.L.C. and Northstar Wireless, LLC. **
10.6*	Management Services Agreement dated September 12, 2014, between American AWS-3 Wireless III L.L.C. and SNR Wireless LicenseCo, LLC. **
31.1*	Section 302 Certification of Chief Executive Officer.
31.2*	Section 302 Certification of Chief Financial Officer.
32.1*	Section 906 Certification of Chief Executive Officer.
32.2*	Section 906 Certification of Chief Financial Officer.
101*	The following materials from the Quarterly Report on Form 10-Q of DISH Network for the quarter ended March 31, 2015, filed on May 11, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements.

---

* Filed herewith.

** Certain portions of the exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment.

Table of Contents

SIGNATURES

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

DISH NETWORK CORPORATION

By: /s/ *Charles W. Ergen*
Charles W. Ergen
Chairman, President and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ *Steven E. Swain*
Steven E. Swain
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 11, 2015