DISH Network CORP
Form 10-K
February 23, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

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

Registrant s telephone number, including area code: **(303) 723-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Class A common stock, $0.01 par value	The Nasdaq Stock Market L.L.C.

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

As of June 30, 2014, the aggregate market value of Class A common stock held by non-affiliates of the registrant was $14.0 billion based upon the closing price of the Class A common stock as reported on the Nasdaq Global Select Market as of the close of business on the last trading day of the month.

As of February 13, 2015, the registrant s outstanding common stock consisted of 223,394,481 shares of Class A common stock and 238,435,208 shares of Class B common stock, each $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this Form 10-K by reference:

Portions of the registrant s definitive Proxy Statement to be filed in connection with its 2015 Annual Meeting of Shareholders are incorporated by reference in Part III.

TABLE OF CONTENTS

PART I

	Disclosure Regarding Forward-Looking Statements	i
Item 1.	Business	1
Item 1A.	Risk Factors	26
Item 1B.	Unresolved Staff Comments	52
Item 2.	Properties	52
Item 3.	Legal Proceedings	52
Item 4.	Mine Safety Disclosures	52

PART II

Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	53
Item 6.	Selected Financial Data	55
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	56
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	83
Item 8.	Financial Statements and Supplementary Data	84
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	84
Item 9A.	Controls and Procedures	85
Item 9B.	Other Information	85

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	86
Item 11.	Executive Compensation	86
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	86
Item 13.	Certain Relationships and Related Transactions, and Director Independence	86
Item 14.	Principal Accounting Fees and Services	86

PART IV

Item 15.	Exhibits, Financial Statement Schedules	86
	Signatures	95
	Index to Consolidated Financial Statements	F-1

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

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

Table of Contents

- 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 a 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.

- 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.

Table of Contents

- 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.

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 this Annual Report on Form 10-K, those discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations herein 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

PART I

Item 1. BUSINESS

OVERVIEW

DISH Network Corporation was organized in 1995 as a corporation under the laws of the State of Nevada. We started offering the DISH® branded pay-TV service in March 1996 and are the nation s third largest pay-TV provider. Our common stock is publicly traded on the Nasdaq Global Select Market under the symbol DISH. Our principal executive offices are located at 9601 South Meridian Boulevard, Englewood, Colorado 80112 and our telephone number is (303) 723-1000.

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 13.978 million subscribers in the United States as of December 31, 2014. 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 0.577 million subscribers in the United States as of December 31, 2014. This 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 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 or SNR Wireless 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 have made the final payments to the FCC for the AWS-3 Licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. As of December 31, 2014, Northstar Wireless and SNR Wireless had made aggregate refundable upfront payments to the FCC of approximately $920 million for

Table of Contents

the AWS-3 Auction, at which time our total non-controlling equity and debt investments in these entities and their parent companies, respectively, was approximately $899 million. 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.

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.

See Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion.

Business Strategy

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.

- *Products with the Best Technology.* We offer a wide selection of local and national high-definition (HD) programming and are a technology leader in our industry, offering award-winning DVRs (including our Hopper® whole-home HD DVR), multiple tuner receivers, 1080p video on demand, and external hard drives. In addition, on February 9, 2015, we launched Sling TV, a live, over-the-top (OTT) Internet-based television service.

- *Outstanding Customer Service.* We strive to provide outstanding customer service by improving the quality of the initial installation of subscriber equipment, improving the reliability of our equipment, better educating our customers about our products and services, and resolving customer problems promptly and effectively when they arise.

- *Great Value.* We have historically been viewed as the low-cost provider in the pay-TV industry in the U.S. because we seek to offer the lowest everyday prices available to consumers after introductory promotions expire.

DISH Products and Services

Pay-TV Programming. We offer a wide selection of video services under the DISH brand, with access to hundreds of channels depending on the level of subscription. Our standard programming packages generally include programming provided by national broadcast networks, local broadcast networks and national and regional cable networks. We also offer programming packages that include regional and specialty sports channels, premium movie channels and Latino and international programming. Our Latino and international programming packages allow subscribers to choose from over 250 channels in 28 languages.

In addition, we offer our DISH subscribers streaming access through Blockbuster @HomeTM to more than 10,000 movies and TV shows via their TV or Internet-connected tablets, smartphones and computers.

Our subscribers also have the ability to use dishanywhere.com and our mobile applications for smartphones and tablets to view authorized content, search program listings and remotely control certain features of their DVRs. Dishanywhere.com and our mobile applications provide access to more than 80,000 movies, television shows, clips and trailers.

Technology. Our subscribers receive programming via equipment that includes a small satellite dish, digital set-top receivers, and remote controls. 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 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.

We rely on EchoStar Corporation (EchoStar) to design and manufacture substantially all of our new receivers and certain related components. See *Item 1A   Risk Factors*.

Broadband. In addition to our wide selection of pay-TV programming and award-winning technology, we market a satellite broadband service under the dishNET brand. This service leverages advanced technology and high-powered satellites launched by Hughes and ViaSat to provide broadband coverage nationwide. This service primarily targets rural residents that are underserved, or unserved, by wireline broadband, and provides download speeds of up to 15 megabits of data per second (Mbps). We lease the customer premise equipment to subscribers and generally pay Hughes and ViaSat a wholesale rate per subscriber on a monthly basis. Currently, we generally utilize our existing DISH distribution channels, including our DISH direct sales channels, under similar incentive arrangements as our DISH branded pay-TV business to acquire new broadband subscribers.

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 (Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming). Our dishNET branded wireline broadband service provides download speeds of up to 20 Mbps.

We primarily bundle our dishNET branded services with our DISH branded pay-TV service, to offer customers a single bill, payment and customer service option, which includes a discount for bundled services. In addition, we market and sell our dishNET branded services on a stand-alone basis.

New Business Opportunities

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.

Over-the-top television. On February 9, 2015, we launched Sling TV, a live, linear streaming OTT service. At launch, the core package consisted of over 14 channels offered for a $20 monthly subscription. In addition to the core programming package, Sling TV offers additional tiers of programming, including news and children s 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. Sling TV requires an Internet connection and is available through certain streaming-capable devices.

Prior to the launch of Sling TV, we offered, and continue to offer, an international video programming OTT service to a small number of Pay-TV subscribers under the DishWorld brand. As of December 31, 2014, our DishWorld subscribers are included in our Pay-TV subscriber count and represent a small percentage of our customers. We market our OTT services primarily to consumers who do not subscribe to traditional satellite and cable pay-TV services.

Table of Contents

Content Delivery

Digital Broadcast Operations Centers. The principal digital broadcast operations facilities that we use are EchoStar s facilities located in Cheyenne, Wyoming and Gilbert, Arizona. We also use seven regional digital broadcast operations facilities owned and operated by EchoStar that allow us to maximize the use of the spot beam capabilities of certain satellites. Programming content is delivered to these facilities by fiber or satellite and processed, compressed, encrypted and then uplinked to satellites for delivery to consumers. EchoStar provides certain broadcast services to us, including teleport services such as transmission and downlinking, channel origination services, and channel management services pursuant to a broadcast agreement that expires on December 31, 2016. See Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion of our Related Party Transactions with EchoStar.

Satellites. Our DISH branded programming is primarily delivered to customers using satellites that operate in the Ku band portion of the microwave radio spectrum. The Ku-band is divided into two spectrum segments. The portion of the Ku-band that allows the use of higher power satellites (12.2 to 12.7 GHz over the United States) is known as the Broadcast Satellite Service band, which is also referred to as the DBS band. The portion of the Ku-band that utilizes lower power satellites (11.7 to 12.2 GHz over the United States) is known as the FSS band.

Most of our programming is currently delivered using DBS satellites. To accommodate more bandwidth-intensive HD programming and other needs, we continue to explore opportunities to expand our satellite capacity through the acquisition of additional spectrum, the launching of more technologically advanced satellites, and the more efficient use of existing spectrum via, among other things, better modulation and compression technologies.

We own or lease capacity on 14 DBS satellites in geostationary orbit approximately 22,300 miles above the equator. For further information concerning these satellites and satellite anomalies, please see the table and discussion under *Satellites* below.

Conditional Access System. Our conditional access system secures our programming content using encryption so that only authorized customers can access our programming. 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).

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 our Security Access Devices will be necessary to keep our system secure. We cannot ensure that we 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.

Distribution Channels

While we offer receiver systems and programming through direct sales channels, a significant percentage of our gross new subscriber activations are generated through independent third parties such as small satellite retailers, direct marketing groups, local and regional consumer electronics stores, nationwide retailers, and telecommunications companies. In general, we pay these independent third parties a mix of upfront and monthly incentives to solicit orders for our services and provide customer service. In addition, we partner with certain telecommunications companies to bundle DISH branded programming with broadband and/or voice services on a single bill.

Competition

As of December 31, 2014, we had 13.978 million pay-TV subscribers, representing approximately 14% of pay-TV subscribers in the United States, and 0.577 million broadband subscribers. We face substantial competition from

established pay-TV providers and broadband service providers and increasing competition from companies providing/facilitating the delivery of video content via the Internet to computers, televisions, and mobile devices. As of September 30, 2014, roughly 100 million U.S. households subscribe to a pay-TV service.

• *Other Direct Broadcast Satellite Operators*. We compete directly with DirecTV, the largest satellite TV provider in the U.S. which had 20.2 million subscribers as of September 30, 2014, representing approximately 20% of pay-TV subscribers. During May 2014, AT&T Inc. (AT&T) announced its pending acquisition of DirecTV, which is currently undergoing regulatory review and has not been completed. We filed a petition to impose conditions on the transaction with the FCC, to remedy potential threats to consumers and competition in the video and broadband markets. If DirecTV ultimately is acquired by AT&T, DirecTV will, among other things, have increased access to capital, access to AT&T s nationwide platform for wireless mobile video, and the ability to more seamlessly bundle its video services with AT&T s broadband Internet access and voice services. The combined company would also be able to, among other things, pressure third-party content owners and programmers to withhold online rights from us; utilize its increased leverage over third-party content owners and programmers to reduce the price it pays for programming at the expense of other multichannel video programming distributors (MVPDs), including us; thwart our entry into the wireless market, by, among other things, refusing to enter into data roaming agreements with us; underutilize key orbital spectrum resources that could be more efficiently used by us; foreclose or degrade our online video offerings at various points in the broadband pipe; and impose anti-competitive data caps on consumers who access our online video offerings.

• *Cable Television Companies.* We encounter substantial competition in the pay-TV industry from numerous cable television companies that operate via franchise licenses across the U.S. As of September 30, 2014, cable television companies have more than 54.0 million subscribers, representing approximately 54% of pay-TV subscribers. Cable companies are typically able to bundle their video services with broadband Internet access and voice services and many have significant investments in companies that provide programming content. During February 2014, Comcast Corporation (Comcast) announced its pending acquisition of Time Warner Cable Inc. (Time Warner Cable), which would combine the largest and second largest cable television providers in the U.S. This acquisition is currently undergoing regulatory review and has not been completed. We filed a petition to deny the transaction with the FCC, in which we stated, among other things, that the proposed transaction poses serious harm to competition and consumers and runs counter to U.S. antitrust and communications laws, that no set of conditions can alleviate these harms, and that the FCC and Department of Justice should reject the transaction. If Time Warner Cable ultimately is acquired by Comcast, the combined company would be able to, among other things, foreclose or degrade our online video offerings at various points in the broadband pipe; impose anti-competitive data caps on consumers who access our online video offerings; foreclose access to, or raise the prices of, its own affiliated programming to us; pressure third-party content owners and programmers to withhold online rights from us; and utilize its increased leverage over third-party content owners and programmers to reduce the price it pays for programming at the expense of other MVPDs, including us.

• *Telecommunications Companies*. Large telecommunications companies have upgraded older copper wire lines with fiber optic lines in certain markets. These fiber optic lines provide high capacity bandwidth, enabling telecommunications companies to offer video content that can be bundled with their broadband Internet access and voice services. In particular, AT&T and Verizon Communications Inc. (Verizon) have built fiber-optic based networks to provide video services in substantial portions of their service areas. As of September 30, 2014, AT&T and Verizon had approximately 6.1 million U-verse and 5.5 million FiOS TV subscribers, respectively. These telecommunications companies represent approximately 12% of pay-TV subscribers.

• *Internet Delivered Video.* We face competition from content providers and other companies including, among others, Netflix, Hulu, Apple, Amazon and Google, who distribute video directly to consumers over the Internet. In addition, programming offered over the Internet has become more prevalent and consumers are spending 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,

Table of Contents

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.

- *Wireless Mobile Video.* We may also face increasing competition from wireless telecommunications providers who offer mobile video offerings. These mobile video offerings will likely become more prevalent in the marketplace as wireless telecommunications providers implement and expand the fourth generation of wireless communications.

- *Small and Rural Telephone Companies and Google Fiber.* Other telephone companies are also finding ways to deliver video programming services over their wireline facilities or in a bundle with other MVPD providers. For example, DirecTV has agreements with AT&T, CenturyLink, Exede, Cincinnati Bell, HughesNet, Windstream, Verizon and Mediacom to bundle their individual DSL or satellite broadband and telephony services with DirecTV s video service. Google has also deployed its own fiber network in the Kansas City metro area, Provo, Utah as well as Austin, Texas, with speeds up to one gigabit. Google has recently announced plans to deploy fiber networks in additional metro areas across the country.

Acquisition of New Subscribers

We incur significant upfront costs to acquire subscribers, including advertising, retailer incentives, equipment, installation services and new customer promotions. Certain customer promotions to acquire new subscribers result in less programming revenue to us over the promotional period. While we attempt to recoup these upfront costs over the lives of their subscriptions, there can be no assurance that we will be successful in achieving that objective. We employ business rules such as minimum credit requirements for prospective customers and contractual commitments, 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.

***Advertising*.** We use print, radio, television and Internet media, on a local and national basis to motivate potential subscribers to call DISH, visit our website or contact independent third-party retailers.

Retailer Incentives. In general, we pay retailers an upfront incentive for each new subscriber they bring to DISH that results in the activation of qualified programming and generally pay retailers small monthly incentives for up to 60 months; provided, among other things: (i) the retailer continuously markets, promotes and solicits orders for DISH products and services; (ii) the retailer continuously provides customer service to our Pay-TV subscribers; and (iii) the customer continuously subscribes to qualified programming.

***Equipment*.** We incur significant upfront costs to provide our new subscribers with in-home equipment, including advanced HD and DVR receivers, which most of our new subscribers lease from us. While we seek to recoup these upfront equipment costs mostly through monthly fees, there can be no assurance that we will be successful in achieving that objective. In addition, upon deactivation of a subscriber we may refurbish and redeploy their equipment which lowers future upfront costs. However, our ability to capitalize on these cost savings may be limited as technological advances and consumer demand for new features may render the returned equipment obsolete.

Installation Services. We incur significant upfront costs to install satellite dishes and receivers in the homes of our new customers.

New Customer Promotions. We often offer programming at no additional charge and/or promotional pricing during introductory periods for new subscribers. While such promotional activities have an economic cost and reduce our subscriber-related revenue, they are not included in our definitions of subscriber acquisition costs or the Pay-TV SAC metric.

Customer Retention

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

Table of Contents

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 re-installation of equipment for customers who move. Our subscriber retention costs may vary significantly from period to period.

Customer Service

Customer Service Centers. We use both internally-operated and outsourced customer service centers to handle calls from prospective and existing customers. We strive to answer customer calls promptly and to resolve issues effectively on the first call. We also use the Internet and other applications to provide our customers with self-service capabilities.

Installation and Other In-Home Service Operations. High-quality installations, upgrades, and in-home repairs are critical to providing good customer service. Such in-home service is performed by both DISH Network employees and a network of independent contractors and includes, among other things, priority technical support, replacement equipment, cabling and power surge repairs.

Subscriber Management. We presently use, and depend on, CSG Systems International, Inc. s software system for the majority of DISH Network subscriber billing and related functions.

Wireless Spectrum

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 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. By June 2013, we were required to provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the 700 MHz Interim Build-Out Requirement). By June 2019, we were required to provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the 700 MHz Final Build-Out Requirement). As discussed below, these requirements have since been modified by the FCC.

On September 9, 2013, we filed a letter with the FCC in support of a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the Interoperability Solution). On October 29, 2013, the FCC issued an order approving the Interoperability Solution (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 700 MHz Interim Build-Out

Requirement 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). These requirements replaced the previous build-out requirements associated with our 700 MHz licenses. 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 acquisitions of 100% of the equity of reorganized DBSD North America and substantially all of the assets of TerreStar, pursuant to which we acquired, among other things, certain satellite assets and 40 MHz of spectrum licenses held by DBSD North America (the DBSD Transaction) and TerreStar (the

Table of Contents

TerreStar Transaction), which licenses the FCC modified in March 2013 to add AWS-4 authority (AWS-4). The total consideration to acquire the DBSD North America and TerreStar assets was approximately $2.860 billion.

Our consolidated FCC applications for approval of the license transfers from DBSD North America and TerreStar were accompanied by requests for waiver of the FCC s Mobile Satellite Service (MSS) integrated service and spare satellite requirements and various technical provisions. On March 21, 2012, the FCC released a Notice of Proposed Rule Making proposing the elimination of the integrated service, spare satellite and various technical requirements associated with these licenses. On December 11, 2012, the FCC approved rules that eliminated these requirements and gave notice of its proposed modification of our authorizations to, among other things, allow us to offer single-mode terrestrial terminals to customers who do not desire satellite functionality. 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. 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 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. The auction of wireless spectrum known as the H Block commenced on January 22, 2014 and concluded on February 27, 2014. We were the winning bidder for all 176 wireless spectrum licenses in the H Block auction with an aggregate bid of $1.564 billion. On December 17, 2013, we paid approximately $328 million to the FCC as a deposit for the H Block auction. We paid the remaining balance of our winning bid of approximately $1.236 billion for the H Block licenses on March 28, 2014. On April 29, 2014, the FCC issued an order granting our application to acquire these H Block licenses. As a result, during May 2014, we also paid approximately $13 million to UTAM, Inc. for clearance costs associated with the lower H Block spectrum and approximately $95 million to Sprint for clearance costs associated with the upper H Block spectrum in connection with the issuance of the H Block licenses. 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.

8

Table of Contents

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.

Northstar Wireless was the winning bidder for certain AWS-3 Licenses (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 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, LLC (Northstar Manager and collectively with Northstar Spectrum and Northstar Wireless, the Northstar Entities) 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 agreed to make pro-rata equity contributions in Northstar Spectrum equal to approximately 15% of the net purchase price of the Northstar Licenses. 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 agreed to make loans to Northstar Wireless for approximately 85% of the net purchase price of the Northstar Licenses. American II made equity contributions to Northstar Spectrum of approximately $633 million and a loan to Northstar Wireless of approximately $432 million for Northstar Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the Northstar Licenses. American II is also required to make an equity contribution to Northstar Spectrum of approximately $117 million and a loan to Northstar Wireless of approximately $4.569 billion for Northstar Wireless to make the final payment required for the Northstar Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American II to Northstar Spectrum will be approximately $750 million and the total loans from American II to Northstar Wireless will be approximately $5.001 billion.

SNR Wireless was the winning bidder for certain AWS-3 Licenses (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 is obligated to make 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 Wireless Management, LLC (SNR Management and collectively with SNR Holdco and SNR Wireless, the SNR Entities) 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 agreed to make pro-rata equity contributions in SNR Holdco equal

Table of Contents

to approximately 15% of the net purchase price of the SNR Licenses. 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 agreed to make loans to SNR Wireless for the amount of the bid withdrawal payment and approximately 85% of the net purchase price of the SNR Licenses. American III made equity contributions to SNR Holdco of approximately $408 million and a loan to SNR Wireless of approximately $350 million for SNR Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the SNR Licenses. American III is also required to make an equity contribution to SNR Holdco of approximately $116 million and a loan to SNR Wireless of approximately $3.153 billion for SNR Wireless to make the final payment required for the SNR Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American III to SNR Holdco will be approximately $524 million and the total loans from American III to SNR Wireless will be approximately $3.503 billion.

After Northstar Wireless and SNR Wireless have made the final payments to the FCC 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 will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. Issuance of any AWS-3 Licenses to Northstar Wireless and SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. Objections to the applications filed by Northstar Wireless and SNR Wireless must be submitted to the FCC within ten calendar days following the release by the FCC of the public notice listing the applications acceptable for filing. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless.

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.

See *Item 1A. Risk Factors - 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* in this Annual Report on Form 10-K for more information.

Relationship with EchoStar

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. DISH Network and EchoStar operate as separate publicly-traded companies and, except for the Satellite and Tracking Stock Transaction and Sling TV discussed in Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K, neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both DISH Network and EchoStar is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family. EchoStar is our primary supplier of digital set-top boxes and digital broadcast operations. In addition, EchoStar provides the vast majority of our transponder capacity, is a key supplier of related services to us, and provides the IPTV streaming technology for our OTT services. Furthermore, Hughes, a subsidiary of EchoStar, is currently a wholesale provider of our satellite broadband Internet service, which we distribute under our dishNET brand. See *Item 1A. Risk Factors* and Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for more information.

Table of Contents

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 consolidated financial statements. On January 14, 2014, we completed the sale of our Blockbuster operations in Mexico.

SATELLITES

DBS Satellites. Most of our programming is currently delivered using DBS satellites. We continue to explore opportunities to expand our available satellite capacity through the use of other available spectrum. Increasing our available spectrum is particularly important as more bandwidth intensive HD programming is produced and to address new video and data applications consumers may desire in the future. We currently utilize satellites in geostationary orbit approximately 22,300 miles above the equator detailed in the table below.

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 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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

Satellites Under Construction

EchoStar XVIII. On September 7, 2012, we entered into a contract with Space Systems/Loral, Inc. (SS/L) for the construction of EchoStar XVIII, a DBS satellite with spot beam technology designed for, among other things, HD programming. During October 2013, we entered into an agreement with ArianeSpace S.A. (Ariane) for launch services for this satellite, which is expected to be launched during the fourth quarter 2015.

Satellite Anomalies

Operation of our DISH branded pay-TV service requires that we have adequate satellite transmission capacity for the programming that 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 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 thus may have a material adverse effect on our business, financial condition and results of operations.

In the past, certain of our satellites have experienced anomalies, some of which have had a significant adverse impact on their remaining useful life and/or commercial operation. There can be no assurance that future anomalies will not impact the remaining useful life and/or commercial operation of any of the satellites in our fleet. See Impairment of Long-Lived Assets in Note 2 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion of evaluation of impairment. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and therefore, we will bear the risk associated with any uninsured in-orbit satellite failures.

AWS-4 Satellites. As a result of the DBSD Transaction and the TerreStar Transaction, we acquired three AWS-4 satellites, including two in-orbit satellites (D1 and T1) and one satellite under construction (T2). See the table below for further information.

Satellites	Launch Date	Degree Orbital Location	Estimated Useful Life (Years)
Owned:			
T1	July 2009	111.1	15
D1	April 2008	92.85	15
Under Construction:			
T2 (1)	NA	NA	NA

---

(1) During the fourth quarter 2014, EchoStar purchased our rights to the T2 satellite. See Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion of our Related Party Transactions with EchoStar.

Table of Contents

GOVERNMENT REGULATIONS

Our operations, particularly our DBS and broadband operations, and our wireless spectrum licenses are subject to significant government regulation and oversight, primarily by the FCC and, to a certain extent, by Congress, other federal agencies and foreign, state and local authorities. Depending upon the circumstances, noncompliance with legislation or regulations promulgated by these authorities could result in limitations on, or the suspension or revocation of, our licenses or registrations, the termination or loss of contracts or the imposition of contractual damages, civil fines or criminal penalties, any of which could have a material adverse effect on our business, financial condition and results of operations. These governmental authorities could also adopt regulations or take other actions that would adversely affect our business prospects.

Furthermore, the adoption or modification of laws or regulations relating to video programming, satellite services, wireless telecommunications, broadband, the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. If we become subject to new regulations or legislation or new interpretations of existing regulations or legislation that govern Internet network neutrality, for example, we may be required to incur additional expenses or alter our business model. The manner in which legislation governing Internet network neutrality may be interpreted and enforced cannot be precisely determined, which in turn could have an adverse effect on our business, financial condition and results of operations.

Wireless services and our wireless spectrum licenses are subject to regulation by the FCC and, depending on the jurisdiction, other federal, state and local, as well as international, governmental authorities and regulatory agencies, including, among other things, regulations governing the licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal or revocation. There can be no assurances that our wireless spectrum licenses will be renewed. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area. For further information related to our licenses and build-out requirements related to our wireless spectrum licenses see *Item 1A. Risk Factors.*

The following summary of regulatory developments and legislation in the United States is not intended to describe all present and proposed government regulation and legislation affecting the video programming distribution, satellite services, wireless telecommunications and broadband industries. Government regulations that are currently the subject of judicial or administrative proceedings, legislative hearings or administrative proposals could change these industries to varying degrees. We cannot predict either the outcome of these proceedings or any potential impact they might have on these industries or on our operations.

FCC Regulations Governing our DBS Operations

FCC Jurisdiction over our DBS Satellite Operations. The Communications Act gives the FCC broad authority to regulate the operations of satellite companies. Specifically, the Communications Act gives the FCC regulatory jurisdiction over the following areas relating to communications satellite operations:

- the assignment of satellite radio frequencies and orbital locations, the licensing of satellites and earth stations, the granting of related authorizations, and evaluation of the fitness of a company to be a licensee;

- approval for the relocation of satellites to different orbital locations or the replacement of an existing satellite with a new satellite;

- ensuring compliance with the terms and conditions of such assignments, licenses, authorizations and approvals, including required timetables for construction and operation of satellites;

- avoiding interference with other radio frequency emitters; and

- ensuring compliance with other applicable provisions of the Communications Act and FCC rules and regulations.

Table of Contents

To obtain FCC satellite licenses and authorizations, satellite operators must satisfy strict legal, technical and financial qualification requirements. Once issued, these licenses and authorizations are subject to a number of conditions including, among other things, satisfaction of ongoing due diligence obligations, construction milestones, and various reporting requirements. Necessary federal approval of these applications may not be granted, may not be granted in a timely manner, or may be granted subject to conditions which may be cumbersome.

Overview of our DBS Satellites, Authorizations and Contractual Rights for Satellite Capacity. Our satellites are located in orbital positions, or slots, that are designated by their western longitude. An orbital position describes both a physical location and an assignment of spectrum in the applicable frequency band. Each DBS orbital position has 500 MHz of available Ku-band spectrum that is divided into 32 frequency channels. Through digital compression technology, we can currently transmit between nine and 13 standard definition digital video channels per DBS frequency channel. Several of our satellites also include spot-beam technology that enables us to increase the number of markets where we provide local channels, but reduces the number of video channels that could otherwise be offered across the entire United States.

The FCC has licensed us to operate a total of 50 DBS frequency channels at the following orbital locations:

- 21 DBS frequency channels at the 119 degree orbital location, capable of providing service to the continental United States (CONUS); and
- 29 DBS frequency channels at the 110 degree orbital location, capable of providing service to CONUS.

In addition, we currently lease or have entered into agreements to lease capacity on satellites using the following spectrum at the following orbital locations:

- 500 MHz of Ku-band FSS spectrum that is divided into 32 frequency channels at the 118.7 degree orbital location, which is a Canadian FSS slot that is capable of providing service to CONUS, Alaska and Hawaii;
- 32 DBS frequency channels at the 129 degree orbital location, which is a Canadian DBS slot that is capable of providing service to most of the United States;
- 32 DBS frequency channels at the 61.5 degree orbital location, capable of providing service to most of the United States;
- 24 DBS frequency channels at the 77 degree orbital location, which is a Mexican DBS slot that is capable of providing service to most of the United States and Mexico; and
- 32 DBS frequency channels at the 72.7 degree orbital location, which is a Canadian DBS slot that is capable of providing service to CONUS.

We also have month-to-month FSS capacity available from EchoStar on a satellite located at the 121 degree orbital location and a lease for FSS capacity available from EchoStar on a satellite located at the 103 degree orbital location.

During September 2014, we filed an application with the FCC for authorization to provide service to the United States from a Canadian-licensed satellite using Reverse Band Working DBS frequencies at the 103 degree orbital location, which has been opposed by DirecTV. We cannot predict the timing or outcome of our application.

Duration of our DBS Satellite Licenses. Generally speaking, all of our satellite licenses are subject to expiration unless renewed by the FCC. The term of each of our DBS licenses is ten years. Our licenses are currently set to expire at various times. In addition, at various times we have relied on special temporary authorizations for our operations. A special temporary authorization is granted for a period of only 180 days or less, subject again to possible renewal by the FCC. From time to time, we apply for authorizations to use new satellites at our existing orbital locations. For example, we have a pending application with the FCC to launch and operate a new satellite, EchoStar XVIII, at the 110 degree orbital location. Generally, our FCC licenses and special temporary authorizations have been renewed, and our applications for new satellites at our existing orbital locations have been approved, by the FCC on a routine basis, but there can be no assurance that the FCC will continue to do so.

Table of Contents

Opposition and Other Risks to our Licenses. Several third parties have opposed in the past, and we expect these or other parties to oppose in the future, some of our FCC satellite authorizations and pending and future requests to the FCC for extensions, modifications, waivers and approvals of our licenses. In addition, we must comply with numerous FCC reporting, filing and other requirements in connection with our satellite authorizations. Consequently, it is possible the FCC could revoke, terminate, condition or decline to extend or renew certain of our authorizations or licenses.

4.5 Degree Spacing Tweener Satellites. The FCC has proposed to allow so-called tweener DBS operations DBS satellites operating at orbital locations 4.5 degrees (half of the usual nine degrees) away from other DBS satellites. The FCC granted authorizations to Spectrum Five and EchoStar for tweener satellites at the 86.5 and 114.5 degree orbital locations. Even though these authorizations were subsequently cancelled because the FCC determined that the licensees did not meet certain milestone requirements, Spectrum Five has filed a still pending petition for reconsideration of the FCC s decision cancelling Spectrum Five s license. Tweener operations close to our licensed orbital locations (including Spectrum Five s proposed use at the 114.5 degree orbital location) could cause harmful interference to our service and constrain our future operations. The FCC has not completed its rulemaking on the operating and service rules for tweener satellites.

Interference from Other Services Sharing Satellite Spectrum. The FCC has adopted rules that allow non-geostationary orbit fixed satellite services to operate on a co-primary basis in the same frequency band as DBS and FSS. The FCC has also authorized the use of multichannel video distribution and data service (MVDDS) licenses in the DBS band. MVDDS licenses were auctioned in 2004. MVDDS systems are now only beginning to be commercially deployed in a few markets. We have MVDDS licenses in 82 out of 214 geographical license areas. Despite regulatory provisions intended to protect DBS and FSS operations from harmful interference, there can be no assurance that operations by other satellites or terrestrial communication services in the DBS and FSS bands will not interfere with our DBS and FSS operations and adversely affect our business.

Satellite Competition from Additional Slots and Interference. DirecTV has obtained FCC authority to provide service to the United States from a Canadian DBS orbital slot, and EchoStar has obtained authority to provide service to the United States from both a Mexican and a Canadian DBS orbital slot. Further, we have also received authority to do the same from a Canadian DBS orbital slot at 129 degrees and a Canadian FSS orbital slot at 118.7 degrees. The possibility that the FCC will allow service to the U.S. from additional foreign slots may permit additional competition against us from other satellite providers. It may also provide a means by which to increase our available satellite capacity in the United States. In addition, a number of administrations, such as Great Britain and the Netherlands, have requested authority to add orbital locations serving the U.S. close to our licensed slots. Such operations could cause harmful interference to our satellites and constrain our future operations.

Rules Relating to Broadcast Services. The FCC imposes different rules for subscription and broadcast services. We believe that because we offer a subscription programming service, we are not subject to many of the regulatory obligations imposed upon broadcast licensees. However, we cannot be certain whether the FCC will find in the future that we must comply with regulatory obligations as a broadcast licensee, and certain parties have requested that we be treated as a broadcaster. If the FCC determines that we are a broadcast licensee, it could require us to comply with all regulatory obligations imposed upon broadcast licensees, which in certain respects are subject to more burdensome regulation than subscription television service providers.

Public Interest Requirements. The FCC imposes certain public interest obligations on our DBS licenses. These obligations require us to set aside four percent of our channel capacity exclusively for noncommercial programming for which we must charge programmers below-cost rates and for which we may not impose additional charges on subscribers. The Satellite Television Extension and Localism Act of 2010 (STELA) required the FCC to decrease this set-aside to 3.5 percent for satellite carriers who provide retransmission of state public affairs networks in 15 states and are otherwise qualified. The FCC, however, has not yet determined whether we qualify for this decrease in set-aside. The obligation to provide noncommercial programming may displace programming for which we could earn commercial rates and could

adversely affect our financial results. We cannot be sure that, if the FCC were to review our methodology for processing public interest carriage requests, computing the channel capacity we must set aside or determining the rates that we charge public interest programmers, it would find them in compliance with the public interest requirements.

Table of Contents

Separate Security, Plug and Play. The STELA Reauthorization Act of 2014 (STELAR) ended the integration ban that required cable companies to separate security functionality from the other features of their set-top boxes and that required leased cable set-top boxes to include CableCARDs. The repeal of the integration ban takes effect in December 2015. Set-top boxes used by DBS providers were not subject to this separate security requirement. STELAR also requires the FCC to establish a working group of technical experts to identify and report on downloadable security design options that are not unduly burdensome and that promote competition with respect to the availability of navigation devices. The FCC has selected the working group, which includes a DISH Network representative, but the group has not yet convened. Therefore, we cannot predict what effect its deliberations may have on our operations. Also, the FCC adopted the so-called plug and play standard for compatibility between digital television sets and cable systems. That standard was developed through negotiations involving the cable and consumer electronics industries, but not the satellite television industry. The FCC s adoption of the standard was accompanied by certain rules regarding copy protection measures that were applicable to us. We appealed the FCC s decision regarding the copy protection measures to the U.S. Court of Appeals for the D.C. Circuit (D.C. Circuit) and on January 15, 2013 the D.C. Circuit vacated the FCC s decision. The FCC is also considering various proposals to establish two-way digital cable plug and play rules. That proceeding also asks about means to incorporate all pay-TV providers into its plug and play rules. The cable industry and consumer electronics companies have reached a tru2way commercial arrangement to resolve many of the outstanding issues in this docket. We cannot predict whether the FCC will impose rules on our DBS operations that are based on cable system architectures or the private cable/consumer electronics tru2way commercial arrangement. Complying with the separate security and other plug and play requirements would require potentially costly modifications to our set-top boxes and operations. We cannot predict the timing or outcome of this FCC proceeding.

Retransmission Consent. The Copyright Act generally gives satellite companies a statutory copyright license to retransmit local broadcast channels by satellite back into the market from which they originated, subject to obtaining the retransmission consent of local network stations that do not elect must carry status, as required by the Communications Act. If we fail to reach retransmission consent agreements with such broadcasters, we cannot carry their signals. This could have an adverse effect on our strategy to compete with cable and other satellite companies that provide local signals. While we have been able to reach retransmission consent agreements with most of these local network stations, from time to time there are stations with which we have not been able to reach an agreement. We cannot be sure that we will secure these agreements or that we will secure new agreements on acceptable terms, or at all, upon the expiration of our current retransmission consent agreements, some of which are short-term. In recent years, national broadcasters have used their ownership of certain local broadcast stations to require us to carry additional cable programming in exchange for retransmission consent of their local broadcast stations. These requirements may place constraints on available capacity on our satellites for other programming. Furthermore, the rates we are charged for retransmitting local channels have been increasing substantially and may exceed our ability to increase our prices to our customers. We may be unable to pass these increased programming costs on to our customers, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the broadcast stations demands for higher rates have resulted in more frequent negotiating impasses and programming interruptions. During these programming interruptions, our subscribers in the affected markets lack access to popular programming and may switch to another multichannel distributor that may be able to provide them with such programming.

The FCC is currently considering changes to its rules governing retransmission consent disputes that may provide more guidance to the negotiating parties on good-faith negotiation requirements and improve notice to consumers in advance of possible service disruptions. In addition, the recently enacted STELAR requires the FCC to commence a rulemaking proceeding to review its totality of circumstances test for ensuring that television stations and MVPDs negotiate retransmission consent agreements in good faith. STELAR also prohibits television stations from coordinating or engaging in joint retransmission consent negotiations with any other local television stations, unless the stations are directly or indirectly under common de jure control, expanding a previous FCC ruling prohibiting joint negotiations only among the top four stations in a market. In addition, STELAR prohibits a local television station from limiting an MVPD s ability to carry other television signals that have been deemed by the FCC to be significantly viewed or to carry any other television signal the MVPD is otherwise entitled to carry under the Communications Act, unless such stations are directly or indirectly under common de jure control pursuant to FCC regulations. We cannot predict if the FCC s actions or these new restrictions on broadcasters will result in more effective retransmission consent negotiations.

Digital HD Carry-One, Carry-All Requirement. To provide any full-power local broadcast signal in any market, we are required to retransmit all qualifying broadcast signals in that market (carry-one, carry-all). The FCC adopted digital carriage rules that required DBS providers to phase in carry-one, carry-all obligations with respect to the carriage of full-power broadcasters HD signals by February 17, 2013 in markets in which they elect to provide local channels in HD. We have met this requirement in all applicable markets. In addition, STELA has imposed accelerated HD carriage requirements for noncommercial educational stations on DBS providers that do not have a certain contractual relationship with a certain number of such stations. We have entered into such contractual relationships with the requisite number of PBS stations to comply with the requirements. The carriage of additional HD signals on our pay-TV service could cause us to experience significant capacity constraints and prevent us from carrying additional popular national programs and/or carrying those national programs in HD.

In addition, there is a pending rulemaking before the FCC regarding whether to require DBS providers to carry all broadcast stations in a local market in both standard definition and HD if they carry any station in that market in both standard definition and HD. If we were required to carry multiple versions of each broadcast station, we would have to dedicate more of our finite satellite capacity to each broadcast station. We cannot predict the timing or outcome of this rulemaking process.

Distant Signals. Pursuant to STELA, we obtained a waiver of a court injunction that previously prevented us from retransmitting certain distant network signals under a statutory copyright license. Because of that waiver, we may provide distant network signals to eligible subscribers. To qualify for that waiver, we are required to provide local service in all 210 local markets in the U.S. on an ongoing basis. This condition poses a significant strain on our capacity. Moreover, we may lose that waiver if we are found to have failed to provide local service in any of the 210 local markets. If we lose the waiver, the injunction could be reinstated. Furthermore, depending on the severity of the failure, we may also be subject to other sanctions, which may include, among other things, damages.

Cable Act and Program Access. We purchase a large percentage of our programming from cable-affiliated programmers. Pursuant to the Cable Act of 1992 (Cable Act), cable providers had been prohibited from entering into exclusive contracts with cable-affiliated programmers. The Cable Act directed that this prohibition expire after a certain period of time unless the FCC determined that the prohibition continued to be necessary. On October 5, 2012, the FCC allowed this prohibition to expire. While the FCC has issued a Further Notice of Proposed Rulemaking aimed at serving some of the same objectives as the prohibition, there can be no assurances that such protections will be adopted or be as effective as the prohibition if they are adopted. In the event this decision is reconsidered by the FCC or reviewed by a court of appeals, we cannot predict the timing or outcome of any subsequent FCC decision.

As a result of the expiration of this prohibition on exclusivity, we may be limited in our ability to obtain access at all, or on nondiscriminatory terms, to programming from programmers that are affiliated with cable system operators. In addition, any other changes in the Cable Act, and/or the FCC s rules that implement the Cable Act, that currently limit the ability of cable-affiliated programmers to discriminate against competing businesses such as ours, could adversely affect our ability to acquire cable-affiliated programming at all or to acquire programming on nondiscriminatory terms.

Furthermore, the FCC had imposed program access conditions on certain cable companies as a result of mergers, consolidations or affiliations with programmers. The expiration of the exclusivity prohibition in the Cable Act triggered the termination of certain program access conditions that the FCC had imposed on Liberty Media Corporation (Liberty). In July 2012, similar program access conditions that had applied to Time Warner Cable expired as previously scheduled. These developments may adversely affect our ability to obtain Liberty s and Time Warner Cable s programming, or to obtain it on nondiscriminatory terms. In the case of certain types of programming affiliated with Comcast through its control of NBCUniversal Media, LLC (NBCUniversal), the prohibition on exclusivity will still apply until January 2018. During that time, we have the right to subject the terms of access to NBCUniversal s programming to binding arbitration if we and the programmer cannot reach agreement on terms, subject to FCC review. There can be no assurance that this procedure will result in favorable terms for us or that the FCC conditions that establish this procedure will be prevented from expiring on their own terms.

Table of Contents

In addition, affiliates of certain cable providers have denied us access to sports programming that they supply to their cable systems terrestrially, rather than by satellite. The FCC has held that new denials of such service are unfair if they have the purpose or effect of significantly hindering us from providing programming to consumers. However, we cannot be sure that we can prevail in a complaint related to such programming and gain access to it. Our continuing failure to access such programming could materially and adversely affect our ability to compete in regions serviced by these cable providers.

MDU Exclusivity. The FCC has found that cable companies should not be permitted to have exclusive relationships with multiple dwelling units (e.g., apartment buildings). In May 2009, the D.C. Circuit upheld the FCC s decision. While the FCC requested comments in November 2007 on whether DBS and Private Cable Operators should be prohibited from having similar relationships with multiple dwelling units, it has yet to make a formal decision. If the cable exclusivity ban were to be extended to DBS providers, our ability to serve these types of buildings and communities would be adversely affected. We cannot predict the timing or outcome of the FCC s consideration of this proposal.

Net Neutrality. During 2010, the FCC imposed rules of nondiscrimination and transparency upon wireline broadband providers. While this decision provides certain protection from discrimination by wireline broadband providers against our distribution of video content via the Internet, it may still permit wireline broadband providers to provide certain services over their wireline broadband network that are not subject to these requirements. Although the FCC imposed similar transparency requirements on wireless broadband providers, which includes AWS licensees, it declined to impose a wireless nondiscrimination rule. Instead, wireless broadband Internet providers are prohibited from blocking websites and applications that compete with voice and video telephony services. The FCC s net neutrality rules were challenged in Federal court. On January 14, 2014, the D.C. Circuit upheld the FCC s transparency rule, but vacated both the nondiscrimination and anti-blocking rules. The FCC is currently considering revised net neutrality rules in accordance with the D.C. Circuit s decision. However, we cannot predict the timing or outcome of this FCC proceeding or of any subsequent challenges to the rules that the FCC may adopt. Therefore, we cannot predict the practical effect of these rules and related proceedings on our ability to distribute our video content via the Internet.

Comcast-NBCUniversal. In January 2011, the FCC and the Department of Justice approved a transaction between Comcast and General Electric Company (General Electric), pursuant to which they joined their programming properties, including NBC, Bravo and many others, in a venture, NBCUniversal, controlled by Comcast. During March 2013, Comcast completed the acquisition of substantially all of General Electric s remaining interest in NBCUniversal. The FCC conditioned its approval on, among other things, Comcast complying with the terms of the FCC s order on network neutrality (even if that order is vacated by judicial or legislative action) and Comcast licensing its affiliated content to us, other traditional pay-TV providers and certain providers of video services over the Internet on fair and nondiscriminatory terms and conditions, including, among others, price. If Comcast does not license its affiliated content to us on fair and nondiscriminatory terms and conditions, we can seek binding arbitration and continue to carry such content while the arbitration is pending. However, it is uncertain how these conditions may be interpreted and enforced by the FCC; therefore, we cannot predict the practical effect of these conditions. In addition, as these conditions expire in January 2018, we will not be able to rely on these protections beyond that date.

Definition of MVPD. In December 2014, the FCC issued a Notice of Proposed Rulemaking regarding the definition of an MVPD. Among other things, the FCC is seeking comments on whether the definition of an MVPD should apply to Internet-based streaming services, thus making such services subject to the same regulations as an MVPD. The FCC is also seeking comments regarding the treatment of purely Internet-based linear video programming services that cable operators and DBS providers offer in addition to their traditional video services. We cannot predict the timing or outcome of this rulemaking process.

FCC Regulation of our Wireless Spectrum

DISH Spectrum

700 MHz Licenses. In 2008, we paid $712 million to acquire certain 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

Table of Contents

certain interim and final build-out requirements. By June 2013, we were required to provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the 700 MHz Interim Build-Out Requirement). By June 2019, we were required to provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the 700 MHz Final Build-Out Requirement). As discussed below, these requirements have since been modified by the FCC.

On September 9, 2013, we filed a letter with the FCC in support of a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the Interoperability Solution). On October 29, 2013, the FCC issued an order approving the Interoperability Solution (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 700 MHz Interim Build-Out Requirement 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). These requirements replaced the previous build-out requirements associated with our 700 MHz licenses. 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 and TerreStar to us. On March 9, 2012, we completed the DBSD Transaction and 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.

Our consolidated FCC applications for approval of the license transfers from DBSD North America and TerreStar were accompanied by requests for waiver of the FCC s MSS integrated service and spare satellite requirements and various technical provisions. On March 21, 2012, the FCC released a Notice of Proposed Rule Making proposing the elimination of the integrated service, spare satellite and various technical requirements associated with these licenses. On December 11, 2012, the FCC approved rules that eliminated these requirements and gave notice of its proposed modification of our authorizations to, among other things, allow us to offer single-mode terrestrial terminals to customers who do not desire satellite functionality. 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. 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 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

Table of Contents

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. The auction of wireless spectrum known as the H Block commenced on January 22, 2014 and concluded on February 27, 2014. We were the winning bidder for all 176 wireless spectrum licenses in the H Block auction with an aggregate bid of $1.564 billion. On December 17, 2013, we paid approximately $328 million to the FCC as a deposit for the H Block auction. We paid the remaining balance of our winning bid of approximately $1.236 billion for the H Block licenses on March 28, 2014. On April 29, 2014, the FCC issued an order granting our application to acquire these H Block licenses. As a result, during May 2014, we also paid approximately $13 million to UTAM, Inc. for clearance costs associated with the lower H Block spectrum and approximately $95 million to Sprint for clearance costs associated with the upper H Block spectrum in connection with the issuance of the H Block licenses. 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.

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 our wholly-owned subsidiary, 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 the Northstar Spectrum LLC Agreement by and between American II and Northstar Manager. Pursuant to the Northstar Spectrum LLC Agreement, American II and Northstar Manager agreed to make pro-rata equity contributions in Northstar Spectrum equal to approximately 15% of the net purchase price of the

Table of Contents

Northstar Licenses. American II also entered into the Northstar Credit Agreement by and among American II, as Lender, Northstar Wireless, as Borrower, and Northstar Spectrum, as Guarantor. Pursuant to the Northstar Credit Agreement, American II agreed to make loans to Northstar Wireless for approximately 85% of the net purchase price of the Northstar Licenses. American II made equity contributions to Northstar Spectrum of approximately $633 million and a loan to Northstar Wireless of approximately $432 million for Northstar Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the Northstar Licenses. American II is also required to make an equity contribution to Northstar Spectrum of approximately $117 million and a loan to Northstar Wireless of approximately $4.569 billion for Northstar Wireless to make the final payment required for the Northstar Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American II to Northstar Spectrum will be approximately $750 million and the total loans from American II to Northstar Wireless will be 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 is obligated to make 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 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 the SNR Holdco LLC Agreement by and between American III and SNR Management. Pursuant to the SNR Holdco LLC Agreement, American III and SNR Management agreed to make pro-rata equity contributions in SNR Holdco equal to approximately 15% of the net purchase price of the SNR Licenses. American III also entered into the SNR Credit Agreement by and among American III, as Lender, SNR Wireless, as Borrower, and SNR Holdco, as Guarantor. Pursuant to the SNR Credit Agreement, American III agreed to make loans to SNR Wireless for the amount of the bid withdrawal payment and approximately 85% of the net purchase price of the SNR Licenses. American III made equity contributions to SNR Holdco of approximately $408 million and a loan to SNR Wireless of approximately $350 million for SNR Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the SNR Licenses. American III is also required to make an equity contribution to SNR Holdco of approximately $116 million and a loan to SNR Wireless of approximately $3.153 billion for SNR Wireless to make the final payment required for the SNR Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American III to SNR Holdco will be approximately $524 million and the total loans from American III to SNR Wireless will be approximately $3.503 billion.

After Northstar Wireless and SNR Wireless have made the final payments to the FCC 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 will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. Issuance of any AWS-3 Licenses to Northstar Wireless and SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. Objections to the applications filed by Northstar Wireless and SNR Wireless must be submitted to the FCC within ten calendar days following the release by the FCC of the public notice listing the applications acceptable for filing. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless.

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.

Table of Contents

See *Item 1A. Risk Factors - 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* in this Annual Report on Form 10-K for more information.

MVDDS. We have MVDDS licenses in 82 out of 214 geographical license areas, including Los Angeles, New York City, Chicago and several other major metropolitan areas. By August 2014, we were required to meet certain FCC build-out requirements related to our MVDDS licenses, and we are subject to certain FCC service rules applicable to these licenses. In January 2015, the FCC granted our application to extend the build-out requirements related to our MVDDS licenses. We now have until 2019 to provide substantial service on our MVDDS licenses, and the licenses expire in 2024. Our MVDDS licenses may be terminated, however, if we do not provide substantial service in accordance with the new build-out requirements.

State and Local Regulation

We are also regulated by state and local authorities. While the FCC has preempted many state and local regulations that impair the installation and use of towers and consumer satellite dishes, our businesses nonetheless may be subject to state and local regulation, including, among others, zoning regulations that affect the ability to install consumer satellite antennas or build out wireless telecommunications networks.

International Regulation

We are subject to regulation by the International Telecommunication Union (ITU) and our satellites must be registered in the United Nations (UN) Registry of Space Objects. The orbital location and frequencies for certain of our satellites are subject to the frequency registration and coordination process of the ITU. The ITU Radio Regulations define the international rules, regulations, and rights for a satellite and associated earth stations to use specific radio frequencies at a specific orbital location. These rules, which include deadlines for the bringing of satellite networks into use, differ depending on the type of service to be provided and the frequencies to be used by the satellite. On our behalf, various countries have made and may in the future make additional filings for the frequency assignments at particular orbital locations that are used or to be used by our current satellite networks and potential future satellite networks we may build or acquire.

Our satellite services also must conform to the ITU service plans for Region 2 (which includes the United States). If any of our operations are not consistent with this plan, the ITU will only provide authorization on a non-interference basis pending successful modification of the plan or the agreement of all affected administrations to the non-conforming operations. Certain of our satellites are not presently entitled to any interference protection from other satellites that are in conformance with the plan. Accordingly, unless and until the ITU modifies its service plans to include the technical parameters of our non-conforming operations, our non-conforming satellites, along with those of other non-conforming satellite operators, must not cause harmful electrical interference with other assignments that are in conformance with the ITU service plans.

Registration in the UN Registry of Space Objects

The United States and other jurisdictions in which we license satellites are parties to the UN Convention on the Registration of Objects Launched into Outer Space. The UN Convention requires a satellite s launching state to register the satellite as a space object. The act of registration carries liability for the registering country in the event that the satellite causes third-party damage. Administrations may place certain requirements on satellite licensees in order to procure the necessary launch or operational authorizations that accompany registration of the satellite. In some jurisdictions, these authorizations are separate and distinct, with unique requirements, from the authorization to use a set of frequencies to provide satellite services. There is no guarantee that we will be able to procure such authorizations even if we already possess a frequency authorization.

Export Control Regulation

The delivery of satellites and related technical information for purposes of launch by foreign launch service providers is subject to strict export control and prior approval requirements. We are required to obtain import and export licenses from the United States government to receive and deliver certain components of direct-to-home

Table of Contents

satellite television systems. In addition, the delivery of satellites and the supply of certain related ground control equipment, technical services and data, and satellite communication/control services to destinations outside the United States are subject to export control and prior approval requirements from the United States government (including prohibitions on the sharing of certain satellite-related goods and services with China).

PATENTS AND OTHER INTELLECTUAL PROPERTY

Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services that we offer or that we may offer in the future. In general, if a court determines that one or more of our products or services infringe intellectual property rights held by others, we may be required to cease developing or marketing those products or services, to obtain licenses from the holders of the intellectual property rights at a material cost, or to redesign those products or services in such a way as to avoid infringing any patent claims. If those intellectual property rights are held by a competitor, we may be unable to obtain the intellectual property rights at any price, which could adversely affect our competitive position.

We may not be aware of all intellectual property rights that our products or services may potentially infringe. In addition, patent applications in the United States are confidential until the Patent and Trademark Office either publishes the application or issues a patent (whichever arises first) and, accordingly, our products may infringe claims contained in pending patent applications of which we are not aware. Further, the process of determining definitively whether a claim of infringement is valid often involves expensive and protracted litigation, even if we are ultimately successful on the merits.

We cannot estimate the extent to which we may be required in the future to obtain intellectual property licenses or the availability and cost of any such licenses. Those costs, and their impact on our results of operations, could be material. Damages in patent infringement cases can be substantial, and in certain circumstances can be trebled. To the extent that we are required to pay unanticipated royalties to third parties, these increased costs of doing business could negatively affect our liquidity and operating results. We are currently defending multiple patent infringement actions. We cannot be certain the courts will conclude these companies do not own the rights they claim, that our products do not infringe on these rights and/or that these rights are not valid. Further, we cannot be certain that we would be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products to avoid infringement.

ENVIRONMENTAL REGULATIONS

We are subject to the requirements of federal, state, local and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, water discharge and waste management. We attempt to maintain compliance with all such requirements. We do not expect capital or other expenditures for environmental compliance to be material in 2015 or 2016. Environmental requirements are complex, change frequently and have become more stringent over time. Accordingly, we cannot provide assurance that these requirements will not change or become more stringent in the future in a manner that could have a material adverse effect on our business.

SEGMENT REPORTING DATA AND GEOGRAPHIC AREA DATA

For segment reporting data and principal geographic area data for 2014, 2013 and 2012, see Note 17 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K.

EMPLOYEES

We had approximately 19,000 employees at December 31, 2014, most of whom were located in the United States. We generally consider relations with our employees to be good. Approximately 60 employees in two of our field offices have voted to have a union represent them in contract negotiations. While we are not currently a party to any collective bargaining agreements, we are currently negotiating collective bargaining agreements at these offices.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and accordingly file our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the Public Reference Room. As an electronic filer, our public filings are also maintained on the SEC s Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is http://www.sec.gov.

WEBSITE ACCESS

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act also may be accessed free of charge through our website as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC. The address of that website is http://www.dish.com.

We have adopted a written code of ethics that applies to all of our directors, officers and employees, including our principal executive officer and senior financial officers, in accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our code of ethics is available on our corporate website at http://www.dish.com. In the event that we make changes in, or provide waivers of, the provisions of this code of ethics that the SEC requires us to disclose, we intend to disclose these events on our website.

EXECUTIVE OFFICERS OF THE REGISTRANT

(furnished in accordance with Item 401(b) of Regulation S-K, pursuant to General Instruction G(3) of Form 10-K)

The following table and information below sets forth the name, age and position with DISH Network of each of our executive officers, the period during which each executive officer s business experience during the past five years:

Name	Age	Position
Charles W. Ergen	61	Chairman
Joseph P. Clayton	65	President and Chief Executive Officer and Director
W. Erik Carlson	45	Executive Vice President, In-Home Service and Manufacturing Operations
Thomas A. Cullen	55	Executive Vice President, Corporate Development
James DeFranco	62	Executive Vice President and Director
R. Stanton Dodge	47	Executive Vice President, General Counsel and Secretary
Bernard L. Han	50	Executive Vice President and Chief Operating Officer
Michael Kelly	53	Executive Vice President
Roger J. Lynch	52	Chief Executive Officer, Sling TV Holding L.L.C.
Michael K. McClaskey	51	Executive Vice President and Chief Human Resources Officer

David M. Shull	42	Executive Vice President and Chief Commercial Officer
Steven E. Swain	47	Senior Vice President and Chief Financial Officer

Charles W. Ergen. Mr. Ergen is our executive Chairman and has been Chairman of the Board of Directors of DISH Network since its formation and, during the past five years, has held executive officer and director positions with DISH Network and its subsidiaries. Mr. Ergen also serves as executive Chairman and Chairman of the Board of Directors of EchoStar. Mr. Ergen co-founded DISH Network with his spouse, Cantey Ergen, and James DeFranco, in 1980.

Joseph P. Clayton. Mr. Clayton has served as our President and Chief Executive Officer and has been a member of our Board of Directors since June 2011. Mr. Clayton served as Chairman of Sirius Satellite Radio Inc. (Sirius) from November 2004 to July 2008 and served as Chief Executive Officer of Sirius from November 2001 to November

Table of Contents

2004. Prior to joining Sirius, Mr. Clayton served as President of Global Crossing North America, as President and Chief Executive Officer of Frontier Corporation and as Executive Vice President, Marketing and Sales - Americas and Asia, of Thomson S.A. Mr. Clayton previously served on the Board of Directors of Transcend Services, Inc. from 2001 to April 2012 and on the Board of Directors of EchoStar from October 2008 to June 2011.

W. Erik Carlson. Mr. Carlson has served as our Executive Vice President, In-Home Service and Manufacturing Operations since February 2008 and is responsible for overseeing our residential and commercial installations, customer billing and equipment retrieval and refurbishment operations. Mr. Carlson previously was Senior Vice President of Retail Services, a position he held since mid-2006. He joined DISH Network in 1995 and has held operating roles of increasing responsibility over the years.

Thomas A. Cullen. Mr. Cullen has served as our Executive Vice President, Corporate Development since July 2011. Mr. Cullen served as our Executive Vice President, Sales, Marketing and Programming from April 2009 to July 2011 and as our Executive Vice President, Corporate Development from December 2006 to April 2009. Before joining DISH Network, Mr. Cullen held various executive positions in the Telecommunications, Cable and Wireless industries.

James DeFranco. Mr. DeFranco is one of our Executive Vice Presidents and has been one of our vice presidents and a member of the Board of Directors since our formation. During the past five years he has held various executive officer and director positions with our subsidiaries. Mr. DeFranco co-founded DISH Network with Charles W. Ergen and Cantey Ergen, in 1980.

R. Stanton Dodge. Mr. Dodge has served as our Executive Vice President, General Counsel and Secretary since June 2007 and is responsible for all legal and government affairs for DISH Network and its subsidiaries. Mr. Dodge has served on the Board of Directors of EchoStar since March 2009. Mr. Dodge also served as EchoStar s Executive Vice President, General Counsel and Secretary from October 2007 to November 2011 pursuant to a management services agreement between DISH Network and EchoStar. Since joining DISH Network in November 1996, he has held various positions of increasing responsibility in DISH Network s legal department.

Bernard L. Han. Mr. Han has served as our Executive Vice President and Chief Operating Officer since April 2009 and is in charge of all sales, operations and information technology functions for DISH Network. Mr. Han served as Executive Vice President and Chief Financial Officer of DISH Network from September 2006 to April 2009. Mr. Han also served as EchoStar s Executive Vice President and Chief Financial Officer from January 2008 to June 2010 pursuant to a management services agreement between DISH Network and EchoStar. From October 2002 to May 2005, Mr. Han served as Executive Vice President and Chief Financial Officer of Northwest Airlines, Inc.

Michael Kelly. Mr. Kelly has served as our Executive Vice President since January 2014 and is currently on a leave of absence. Mr. Kelly served as the President of Blockbuster L.L.C. from May 2011 to January 2014. Mr. Kelly served as our Executive Vice President, Direct, Commercial and Advertising Sales from December 2005 until May 2011 and as Executive Vice President of DISH Network Service L.L.C. and Customer Service from February 2004 until December 2005.

Roger J. Lynch. Mr. Lynch has served as our Executive Vice President, Advanced Technologies since November 2009. Mr. Lynch also served as EchoStar s Executive Vice President, Advanced Technologies from November 2009 to December 2014. In addition, in July 2012, Mr. Lynch was named Chief Executive Officer of Sling TV Holding L.L.C. Prior to joining DISH Network, Mr. Lynch served as Chairman and CEO of

Video Networks International, Ltd., an Internet protocol television (IPTV) technology company in the United Kingdom from 2002 to 2009.

Michael K. McClaskey. Mr. McClaskey has served as our Executive Vice President and Chief Human Resources Officer since February 2014 and is responsible for the recruiting, benefits administration, compensation, and leadership and organizational development for DISH Network. Mr. McClaskey joined DISH Network in 2007 and served as our Senior Vice President and Chief Information Officer until February 2014. Prior to DISH Network, Mr. McClaskey spent 12 years at Perot Systems where he served as Vice President of Infrastructure Solutions and Chief Information Officer.

Table of Contents

David M. Shull. Mr. Shull has served as our Executive Vice President and Chief Commercial Officer since March 2013 and is responsible for overseeing our video content acquisition and packaging, product management, marketing and advertising sales. Mr. Shull is currently on a leave of absence. Mr. Shull previously was our Senior Vice President of Programming, a position he held since December 2008. He joined DISH Network in 2004 and has held various positions of increasing responsibility over the years.

Steven E. Swain. Mr. Swain has served as our Senior Vice President and Chief Financial Officer since October 2014. Mr. Swain served as our Senior Vice President of Programming from April 2014 to October 2014, overseeing the acquisition and renewal of all programming content for DISH Network. Mr. Swain joined DISH Network in 2011 as Vice President of Corporate Financial Planning and Analysis. Prior to DISH Network, Mr. Swain spent more than 15 years working in the telecommunications sector, most recently at CenturyLink, formerly Qwest Communications, where he served in multiple leadership roles in finance, including corporate financial planning and analysis, treasury and investor relations, as well as in network engineering.

There are no arrangements or understandings between any executive officer and any other person pursuant to which any executive officer was selected as such. Pursuant to the Bylaws of DISH Network, executive officers serve at the discretion of the Board of Directors.

Item 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. If any of the following events occur, our business, financial condition or results of operations could be materially and adversely affected.

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.

Our business is primarily focused on providing pay-TV services and we have traditionally competed against satellite television providers and cable companies, some of whom have greater financial, marketing and other resources than we do. Many of these competitors offer video services bundled with broadband, telephony services, HD offerings, interactive services and video on demand services that consumers may find attractive. 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. In addition, because other pay-TV providers may be seeking to attract a greater proportion of their new subscribers from our existing subscriber base, we may be required to increase retention spending or we may provide greater discounts or credits to acquire and retain subscribers who may spend less on our services. If our Pay-TV ARPU decreases or does not increase commensurate with increases in programming or other costs, our margins may be reduced and the long-term value of a subscriber would then decrease.

Competition has intensified in recent years as the pay-TV industry has matured and the growth of fiber-based pay-TV services offered by telecommunications companies such as Verizon and AT&T continues. These fiber-based pay-TV services have significantly greater capacity, enabling the telecommunications companies to offer substantial HD programming content as well as bundled services. This increasingly competitive environment may require us to increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn. Further, as a result of this increased competitive environment and the maturation of the pay-TV industry, future growth opportunities of our core pay-TV business may be limited and our margins may be reduced, which could have a material adverse effect on our business, results of operations, financial condition and cash flow.

Moreover, mergers and acquisitions, joint ventures and alliances among cable television providers, telecommunications companies and others may result in, among other things, greater financial leverage and increase the availability of offerings from providers capable of bundling television, broadband and telephone services in competition with our services, and may exacerbate the risks described above. For example, during February 2014, Comcast announced its pending acquisition of Time Warner Cable, which would combine the largest and second

Table of Contents

largest cable television providers in the U.S. This acquisition is currently undergoing regulatory review and has not been completed. We filed a petition to deny the transaction with the FCC, in which we stated, among other things, that the proposed transaction poses serious harm to competition and consumers and runs counter to U.S. antitrust and communications laws, that no set of conditions can alleviate these harms, and that the FCC and Department of Justice should reject the transaction. If Time Warner Cable ultimately is acquired by Comcast, the combined company would be able to, among other things, foreclose or degrade our online video offerings at various points in the broadband pipe; impose anti-competitive data caps on consumers who access our online video offerings; foreclose access to, or raise the prices of, its own affiliated programming to us; pressure third-party content owners and programmers to withhold online rights from us; and utilize its increased leverage over third-party content owners and programmers to reduce the price it pays for programming at the expense of other MVPDs, including us.

In addition, during May 2014, AT&T announced its pending acquisition of DirecTV, our direct competitor and the largest satellite TV provider in the U.S. This acquisition is currently undergoing regulatory review and has not been completed. We filed a petition to impose conditions on the transaction with the FCC, to remedy potential threats to consumers and competition in the video and broadband markets. If DirecTV ultimately is acquired by AT&T, DirecTV will, among other things, have increased access to capital, access to AT&T s nationwide platform for wireless mobile video, and the ability to more seamlessly bundle its video services with AT&T s broadband Internet access and voice services. The combined company would also be able to, among other things, pressure third-party content owners and programmers to withhold online rights from us; utilize its increased leverage over third-party content owners and programmers to reduce the price it pays for programming at the expense of other MVPDs, including us; thwart our entry into the wireless market, by, among other things, refusing to enter into data roaming agreements with us; underutilize key orbital spectrum resources that could be more efficiently used by us; foreclose or degrade our online video offerings at various points in the broadband pipe; and impose anti-competitive data caps on consumers who access our online video offerings.

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.

Our business is primarily focused on pay-TV services, and we face competition from providers of digital media, including, among others, Netflix, Hulu, Apple, Amazon and Google that offer online services distributing movies, television shows and other video programming. In addition, traditional providers of video entertainment, including broadcasters and cable network operators, are increasing their Internet-based video offerings. Moreover, new technologies have been, and will likely continue to be, developed that further increase the number of competitors we face with respect to video services, including competition from piracy-based video offerings. With the large increase in the number of consumers with broadband service, a significant amount of video content has become available through online platforms for users to stream and view on their personal computers, televisions and other devices. These 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 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. Some of these companies have greater financial, marketing and other resources than we do. In particular, programming offered over the Internet has become more prevalent and consumers are spending an increasing amount of time accessing video content via the Internet on their mobile devices. These technological advancements and changes in consumer behavior with regard to the means by which they obtain video content could reduce our gross new subscriber activations and could materially adversely affect our business, results of operations and financial condition or otherwise disrupt our business.

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

A substantial majority of our revenue comes from residential customers whose spending patterns may be affected by economic weakness and uncertainty. Our ability to grow or maintain our business may be adversely affected by economic weakness and uncertainty and other factors that may adversely affect the pay-TV industry. In particular, economic weakness and uncertainty could result in the following:

- ***Fewer gross new subscriber activations and increased subscriber churn***. We could face fewer gross new subscriber activations and increased subscriber churn due to, among other things: (i) a downturn in the

housing market in the United States combined with lower discretionary spending; (ii) increased price competition for our products and services; and (iii) the potential loss of retailers, who generate a significant portion of our new subscribers, because many of them are small businesses that are more susceptible to the negative effects of economic weakness. In particular, subscriber churn may increase with respect to subscribers who purchase our lower tier programming packages and who may be more sensitive to economic weakness, including, among others, our pay-in-advance subscribers.

- ***Lower pay-TV average monthly revenue per subscriber (Pay-TV ARPU).*** Due to increasing programming costs, our subscribers may disconnect our services and a growing share of pay-TV customers are cord shaving to downgrade to smaller, less expensive programming packages or electing to purchase through online platforms a certain portion of the services that they would have historically purchased from us, such as pay per view movies. Cord cutting and/or cord shaving by our subscribers could negatively impact our Pay-TV ARPU.

- ***Higher subscriber acquisition and retention costs.*** Our profits may be adversely affected by increased subscriber acquisition and retention costs necessary to attract and retain subscribers during a period of economic weakness.

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.

The cost of programming represents the largest percentage of our overall costs. Certain of our competitors own directly or are affiliated with companies that own programming content that may enable them to obtain lower programming costs or offer exclusive programming that may be attractive to prospective subscribers. Unlike our larger cable and satellite competitors, we have not made significant investments in programming providers. For example, in January 2011, the FCC and the Department of Justice approved a transaction between Comcast and General Electric pursuant to which they joined their programming properties, including NBC, Bravo and many others that are available in the majority of our programming packages, in a venture, NBCUniversal, controlled by Comcast. During March 2013, Comcast completed the acquisition of substantially all of General Electric s remaining interest in NBCUniversal. This transaction may affect us adversely by, among other things, making it more difficult for us to obtain access to NBCUniversal s programming networks on nondiscriminatory and fair terms, or at all. The FCC conditioned its approval on, among other things, Comcast complying with the terms of the FCC s order on network neutrality, even if that order is vacated by judicial or legislative action, and Comcast licensing its affiliated content to us, other traditional pay-TV providers and certain providers of video services over the Internet on fair and nondiscriminatory terms and conditions, including, among others, price. If Comcast does not license its affiliated content to us on fair and nondiscriminatory terms and conditions, we can seek binding arbitration and continue to carry such content while the arbitration is pending. However, it is uncertain how these conditions may be interpreted and enforced by the FCC; therefore, we cannot predict the practical effect of these conditions.

As a new service offering, our OTT services face certain risks, including, among others, significant competition.

On February 9, 2015, we launched Sling TV, a live, linear streaming OTT service. Prior to the launch of Sling TV, we offered, and continue to offer, an international video programming OTT service to a small number of Pay-TV subscribers under the DishWorld brand. As of December 31, 2014, DishWorld subscribers are included in our Pay-TV subscriber count and represent a small percentage of our customers. We market our OTT services primarily to consumers who do not subscribe to traditional satellite and cable pay-TV services.

Our OTT services face a number of risks, including, among others, the following, which may have a material adverse effect on our OTT service offerings:

- We face significant competition from several competitors, including, among others, Netflix, Hulu, Apple, Amazon and Google, who have longer operating histories, larger customer bases, stronger brand recognition and significant financial, marketing and other resources, as well as competition from piracy-based video offerings;

Table of Contents

- We offer a limited amount of programming content, and there can be no assurances that we will be able to increase the amount or type of programming content that we may offer to keep pace with, or to differentiate our OTT services from, other providers of online video content;

- We rely on streaming-capable devices to deliver our OTT services, and if we are not successful in maintaining existing, and creating new, relationships, or if we encounter technological, content licensing or other impediments to our streaming content, our ability to grow our OTT services could be adversely impacted;

- We may incur significant expenses to market our OTT services and build brand awareness, which could have a negative impact on the profitability of our OTT services;

- Since we rely upon the ability of consumers to access our OTT services through an Internet connection, changes in how network operators handle and charge for access to data that travel across their networks could adversely impact our OTT services. For example, if the proposed Comcast/Time Warner Cable and AT&T/DirecTV mergers are completed, these risks may be exacerbated;

- Our OTT services have functional limitations that in many cases our competitors are not constrained by, such as not being able to view content on more than one device simultaneously, and not providing consumers a feature to record content for future viewing. If we are unable to add such functionality to our OTT services in the future, our ability to compete with other offerings could be adversely impacted.

- The adoption or modification of laws and regulations relating to the Internet could limit or otherwise adversely affect the manner in which we conduct our OTT services and could cause us to incur additional expenses or alter our business model; and

- We rely on EchoStar to provide the IPTV streaming technology to support our OTT services. In addition, we license our OTT service brand name Sling from EchoStar, and there can be no assurance that we will be able to continue to license the Sling brand name on acceptable terms or at all.

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.

We face increasing competition from other distributors of unique programming services such as foreign language and sports programming, including programming distributed over the Internet. There can be no assurance that we will maintain subscribers that desire these unique programming services. For example, the increasing availability of foreign language programming from our competitors, which in certain cases has resulted from our inability to renew programming agreements on an exclusive basis or at all, as well as competition from piracy-based video offerings, could contribute to an increase in our subscriber churn. Our agreements with distributors of foreign language programming have varying expiration dates, and some agreements are on a month-to-month basis. There can be no assurance that we will be able to grow or

maintain subscribers that desire these unique programming services such as foreign language and sports programming.

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 we are unable to continue improving our operational performance and customer satisfaction, we may experience a decrease in gross new subscriber activations and an increase in subscriber churn, which could have a material adverse effect on 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 subscriber churn, increase productivity, and allow us to scale better over the long run. We cannot, however, be

Table of Contents

certain that our spending will ultimately be successful in improving our operational performance, and if unsuccessful, we may have to incur higher costs to improve our operational performance. While we believe that such costs will be outweighed by longer-term benefits, there can be no assurance when or if we will realize these benefits at all. If we are unable to improve our operational performance, our future gross new subscriber activations and existing subscriber churn may be negatively impacted, which could in turn adversely affect our revenue growth and results of operations.

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.

We may incur increased costs to acquire new subscribers and retain existing subscribers. Our subscriber acquisition costs could increase as a result of increased spending for advertising and the installation of more HD and DVR receivers, which are generally more expensive than other receivers. Meanwhile, retention costs may be driven higher by increased upgrades of existing subscribers equipment to HD and DVR receivers and by providing retention credits. Additionally, certain of our promotions, including, among others, pay-in-advance, allow consumers with relatively lower credit scores to become subscribers. These subscribers typically churn at a higher rate.

Our subscriber acquisition costs and our subscriber retention costs can vary significantly from period to period and can cause material variability to our net income (loss) and adjusted free cash flow. Any material increase in subscriber acquisition or retention costs from current levels could have a material adverse effect on our business, financial condition and results of operations.

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

Our programming costs currently represent the largest component of our total expense and we expect these costs to continue to increase. The pay-TV industry has continued to experience an increase in the cost of programming, especially local broadcast channels and sports 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.

When offering new programming, or upon expiration of existing contracts, programming suppliers have historically attempted to increase the rates they charge us for programming. We expect this practice to continue, which, if successful, would increase our programming costs. As a result, our margins may face further pressure if we are unable to renew our long-term programming contracts on favorable pricing and other economic terms. Alternatively, to attempt to mitigate the effect of price increases, we may elect not to carry certain channels, which could adversely affect our subscriber growth or result in higher churn.

In addition, increases in programming costs could cause us to increase the rates that we charge our subscribers, which could in turn cause our existing subscribers to disconnect our service or cause potential new subscribers to choose not to subscribe to our service. Therefore, we may be unable to pass increased programming costs on to our customers, which could have a material adverse effect on our business, 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 depend on third parties to provide us with programming services. Our programming agreements have remaining terms ranging from less than one to up to several years and contain various renewal, expiration and/or termination provisions. We may not be able to renew these agreements on favorable terms or at all, and these agreements may be terminated prior to expiration of their original term. Certain programmers have, in the past, limited our access to their programming in connection with the scheduled expiration of their programming carriage contracts with us. In recent years, national and local programming interruptions and threatened programming interruptions have become more frequent and in certain cases have had a negative impact on our gross new Pay-TV subscriber activations and Pay-TV churn rate. For example, our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively

Table of Contents

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 typically have a few programming contracts with major content providers up for renewal each year and if we are unable to renew any of these agreements or the other parties terminate the 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. In addition, loss of access to programming, particularly programming provided by major content providers and/or programming popular with our subscribers, could have a material adverse effect on our business, financial condition and results of operations, including, among other things, our gross new subscriber activations, net subscriber additions and subscriber churn rate.

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

The Copyright Act generally gives satellite companies a statutory copyright license to retransmit local broadcast channels by satellite back into the market from which they originated, subject to obtaining the retransmission consent of local network stations that do not elect must carry status, as required by the Communications Act. If we fail to reach retransmission consent agreements with such broadcasters, we cannot carry their signals. This could have an adverse effect on our strategy to compete with cable and other satellite companies that provide local signals. While we have been able to reach retransmission consent agreements with most of these local network stations, from time to time there are stations with which we have not been able to reach an agreement. We cannot be sure that we will secure these agreements or that we will secure new agreements on acceptable terms, or at all, upon the expiration of our current retransmission consent agreements, some of which are short-term. We currently have pending lawsuits with two major broadcast television networks alleging, among other things, that the PrimeTime Anytime and AutoHop features of the Hopper set-top box breach their retransmission consent agreements. See Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further information. In the event a court ultimately determines that we breached the terms of these retransmission consent agreements, we may be subject, among other things, to substantial damages and we may lose access to programming or may not be able to renew certain of our retransmission consent agreements and other programming agreements on favorable terms or at all. Even if we ultimately prevail in these actions, there can be no assurance that we will be able to renew our retransmission consent agreements or enter into new agreements with these broadcast networks. In such event, there can be no assurance that we will be able to obtain substitute programming, or that such substitute programming would be comparable in quality or cost to our existing programming. In recent years, national broadcasters have used their ownership of certain local broadcast stations to require us to carry additional cable programming in exchange for retransmission consent of their local broadcast stations. These requirements may place constraints on available capacity on our satellites for other programming. Furthermore, the rates we are charged for retransmitting local channels have been increasing substantially and may exceed our ability to increase our prices to our customers. We may be unable to pass these increased programming costs on to our customers, which could have a material adverse effect on our business, financial condition and results of operations.

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

We believe that the availability and extent of HD programming and other value-added services such as access to video via smartphones and tablets continue to be significant factors in consumers choice among pay-TV providers. Other pay-TV providers may have more successfully marketed and promoted their HD programming packages and value-added services and may also be better equipped and have greater resources to increase their HD offerings and

Table of Contents

value-added services to respond to increasing consumer demand. In addition, even though it remains a small portion of the market, consumer demand for 3D televisions and programming, as well as higher resolution programming, such as 4K HD, will likely increase in the future. We may be required to make substantial additional investments in infrastructure to respond to competitive pressure to deliver enhanced programming, and other value-added services, and there can be no assurance that we will be able to compete effectively with offerings from other pay-TV providers.

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

The capacity, reliability and security of our information technology hardware and software infrastructure (including our billing systems) and communications systems are important to the operation of our current business, which would suffer in the event of system failures or cyber attacks. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include, among other things, the delayed implementation of new service offerings, service or billing interruptions, and the diversion of development resources. For example, during 2012, we implemented a new billing system as well as new sales and customer care systems. We are relying on third parties for developing key components of our information technology and communications systems and ongoing service after their implementation. Some of these systems and operations are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Third parties may experience errors, cyber attacks, natural disasters or other disruptions that could adversely impact us and over which we may have limited control. Interruption and/or failure of any of these systems could disrupt our operations, interrupt our services and damage our reputation, thus adversely impacting our ability to provide our services, retain our current subscribers and attract new subscribers.

In addition, although we take protective measures and endeavor to modify them as circumstances warrant, our information technology hardware and software infrastructure and communications systems may be vulnerable to cyber attacks and other malicious activities including, among other things, unauthorized access, misuse, computer viruses or other malicious code, computer denial of service attacks and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our customer and other information processed and stored in, and transmitted through, our information technology hardware and software infrastructure and communications systems, or otherwise cause interruptions or malfunctions in our operations, which could result in significant losses or reputational damage. Due to the fast-moving pace of technology, it may be difficult to detect, contain and remediate every such event. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses.

As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, the liability associated with information-related risks is increasing, particularly for businesses like ours that handle personal customer data. The occurrence of any such network or information system related events or security breaches could have a material adverse effect on our reputation, business, financial condition and results of operations. Significant incidents could result in a disruption of our operations, customer dissatisfaction, damage to our reputation or a loss of customers and revenues.

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.

EchoStar is our primary supplier of digital set-top boxes and digital broadcast operations. In addition, EchoStar provides the vast majority of our transponder capacity, is a key supplier of related services to us, and provides the IPTV streaming technology for our OTT services. We purchase digital set-top boxes from EchoStar pursuant to a

contract that expires on December 31, 2015. EchoStar provides digital broadcast operations to us pursuant to a contract that expires on December 31, 2016. EchoStar has no obligation to supply digital set-top boxes or digital broadcast operations to us after these dates. We may be unable to renew agreements for digital set-top boxes or digital broadcast operations with EchoStar on acceptable terms or at all. We lease the vast majority of our transponder capacity from EchoStar. Equipment, transponder leasing and digital broadcast operation costs may increase beyond our current expectations. EchoStar s inability to develop and produce, or our inability to obtain, equipment with the latest technology, or our inability to obtain transponder capacity and digital broadcast operations and other services from third parties, could adversely affect our gross new subscriber activations and subscriber churn rate and cause related revenue to decline.

Furthermore, due to the lack of compatibility of our infrastructure with the set-top boxes of a provider other than EchoStar, any transition to a new supplier of set-top boxes could take a significant period of time to complete, cause us to incur significant costs and negatively affect our gross new subscriber activations and subscriber churn. For example, the proprietary nature of the Slingbox placeshifting functionality and certain other technology used in EchoStar s set-top boxes may significantly limit our ability to obtain set-top boxes with the same or similar features from any other provider of set-top boxes.

If we were to switch to another provider of set-top boxes, we may have to implement additional infrastructure to support the set-top boxes purchased from such new provider, which could significantly increase our costs. In addition, differences in, among other things, the user interface between set-top boxes provided by EchoStar and those of any other provider could cause subscriber confusion, which could increase our costs and have a material adverse effect on our gross new subscriber activations and subscriber churn. Furthermore, switching to a new provider of set-top boxes may cause a reduction in our supply of set-top boxes and thus delay our ability to ship set-top boxes, which could have a material adverse effect on our gross new subscriber activations and subscriber churn rate and cause related revenue to decline.

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.

Our operating results are dependent to a significant extent upon our ability to continue to introduce new products and services and to upgrade existing products and services on a timely basis, and to reduce costs of our existing products and services. We may not be able to successfully identify new product or service opportunities or develop and market these opportunities in a timely or cost-effective manner. The research and development of new, technologically advanced products is a complex and uncertain process requiring high levels of innovation and investment. The success of new product and service development depends on many factors, including among others, the following:

- difficulties and delays in the development, production, timely completion, testing and marketing of products and services;
- the cost of the products and services;
- proper identification of customer need and customer acceptance of products and services;
- the development of, approval of and compliance with industry standards;
- the significant amount of resources we must devote to the development of new technologies; and
- the ability to differentiate our products and services and compete with other companies in the same markets.

If our products and services, including without limitation, our Hopper and Joey set-top boxes, are not competitive or do not work properly, our business could suffer and our financial performance could be negatively impacted. If the quality of our products and services do not meet our customers expectations or our products are found to be defective, then our sales and revenues, and ultimately our reputation, could be negatively impacted.

Table of Contents

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.

Technology in the pay-TV industry changes rapidly as new technologies are developed, which could cause our products and services to become obsolete. We and our suppliers may not be able to keep pace with technological developments. If the new technologies on which we intend to focus our research and development investments fail to achieve acceptance in the marketplace, our competitive position could be negatively impacted causing a reduction in our revenues and earnings. We may also be at a competitive disadvantage in developing and introducing complex new products and services because of the substantial costs we may incur in making these products or services available across our installed base of approximately 14 million subscribers. For example, our competitors could use proprietary technologies that are perceived by the market as being superior. Further, after we have incurred substantial costs, one or more of the products or services under our development, or under development by one or more of our strategic partners, could become obsolete prior to it being widely adopted.

In addition, our competitive position depends in part on our ability to offer new subscribers and upgrade existing subscribers with more advanced equipment, such as receivers with DVR and HD technology and by otherwise making additional infrastructure investments, such as those related to our information technology and call centers. Furthermore, the continued demand for HD programming continues to require investments in additional satellite capacity. We may not be able to pass on to our subscribers the entire cost of these upgrades and infrastructure investments.

New technologies could also create new competitors for us. For instance, we face increasing consumer demand for the delivery of digital video services via the Internet, including providing what we refer to as DISH Anywhere. We expect to continue to face increased threats from companies who use the Internet to deliver digital video services as the speed and quality of broadband and wireless networks continues to improve.

Technological innovation is important to our success and depends, to a significant degree, on the work of technically skilled employees. We rely on EchoStar to design, develop and manufacture set-top boxes with advanced features and functionality and to provide the IPTV streaming technology for our OTT services. If EchoStar is unable to attract and retain appropriately technically skilled employees, our competitive position could be materially and adversely affected. In addition, delays in the delivery of components or other unforeseen problems associated with our technology may occur that could materially and adversely affect our ability to generate revenue, offer new products and services and remain competitive.

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.

Historically, we have contracted with 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. If these vendors are unable to meet our needs because they fail to perform adequately, are no longer in business, are experiencing shortages or discontinue a certain product or service we need, our business, financial condition and results of operations may be adversely affected. While alternative sources for these products and services exist, we may not be able to develop these alternative sources quickly and cost-effectively, which could materially impair our ability to timely deliver our products to our subscribers or operate our business. Furthermore, our vendors may request changes in pricing, payment terms or other contractual obligations between the parties, which could cause us to make substantial additional investments.

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.

EchoStar relies on a few suppliers and in some cases a single supplier, for many components of our new set-top boxes that we provide to subscribers in order to deliver our digital television services. Our ability to meet customer demand depends, in part, on EchoStar s ability to obtain timely and adequate delivery of quality materials, parts and components from suppliers. In the event of an interruption of supply or a significant price increase from these suppliers, EchoStar may not be able to diversify sources of supply in a timely manner, which could have a negative impact on our business. Further, due to increased demand for products, many electronic manufacturers are experiencing shortages for certain components. EchoStar has experienced in the past and may continue to

Table of Contents

experience shortages driven by raw material availability, manufacturing capacity, labor shortages, industry allocations, natural disasters, logistical delays and significant changes in the financial or business conditions of its suppliers that negatively impact our operations. Any such delays or constraints could have a material adverse effect on our business, financial condition and results of operations, including, among other things, our gross new subscriber activations.

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.

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. 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).

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 these Security Access Devices will be necessary to keep our system secure. We cannot ensure that we 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.

We are also vulnerable to other forms of fraud. While we are addressing certain fraud through a number of actions, including terminating retailers that we believe violated our business rules, there can be no assurance that we will not continue to experience fraud which could impact our gross new subscriber activations and subscriber churn. Economic weakness may create greater incentive for signal theft, piracy and other forms of fraud, which could lead to higher subscriber churn and reduced revenue.

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

While we offer receiver systems and programming through direct sales channels, a significant percentage of our total gross new subscriber activations are generated through independent third parties such as small satellite retailers, direct marketing groups, local and regional consumer electronics stores, nationwide retailers, and telecommunications companies. Most of our retailers are not exclusive to us and some of our retailers may favor our competitors products and services over ours based on the relative financial arrangements associated with marketing our products and services and those of our competitors. Furthermore, most of these retailers are significantly smaller than we are and may be more susceptible to economic weaknesses that make it more difficult for them to operate profitably. Because our retailers receive most of their incentive value at activation and not over an extended period of time, our interests may not always be aligned with our retailers. It may be difficult to better align our interests with our retailers because of their capital and liquidity constraints. Loss of these relationships could have an adverse effect on our subscriber base and certain of our other key operating metrics because we may not be able to develop comparable alternative distribution channels.

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

Operation of our programming 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. We lease substantially all of our satellite capacity from third parties, including the vast majority of our transponder capacity from EchoStar, and we do not carry commercial insurance on any of the satellites that we lease from them.

Table of Contents

Our ability to earn revenue depends on the usefulness of our owned and leased satellites, each of which has a limited useful life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite s functions, the efficiency of the launch vehicle used, and the remaining on-board fuel following orbit insertion. Generally, the minimum design life of each of our satellites ranges from 12 to 15 years. We can provide no assurance, however, as to the actual useful lives of any of these satellites. Our operating results could be adversely affected if the useful life of any of our owned or leased satellites were significantly shorter than the minimum design life.

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 owned or leased satellites and use it as a replacement for the failed or lost satellite, any of which could have a material adverse effect on our business, financial condition and results of operations. 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. A relocation would require FCC approval and, among other things, a showing to the FCC that the replacement satellite would not cause additional interference compared to the failed or lost satellite. We cannot be certain that we could obtain such FCC approval. If we choose to use a satellite in this manner, this use could adversely affect our ability to satisfy certain operational conditions associated with our authorizations. Failure to satisfy those conditions could result in the loss of such authorizations, which would have an adverse effect on our ability to generate revenues.

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

Construction and launch risks. A key component of our business strategy is our ability to expand our offering of new programming and services. To accomplish this goal, from time to time, new satellites need to be built and launched. Satellite construction and launch is subject to significant risks, including construction and launch delays, launch failure and incorrect orbital placement. Certain launch vehicles that may be used by us have either unproven track records or have experienced launch failures in the recent past. The risks of launch delay and failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take more than three years, and to obtain other launch opportunities. Significant construction or launch delays could materially and adversely affect our ability to generate revenues. If we were unable to obtain launch insurance, or obtain launch insurance at rates we deem commercially reasonable, and a significant launch failure were to occur, it could impact our ability to fund future satellite procurement and launch opportunities.

In addition, the occurrence of future launch failures for other operators may delay the deployment of our satellites and materially and adversely affect our ability to insure the launch of our satellites at commercially reasonable premiums, if at all. Please see further discussion under the caption *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* below.

Operational risks. Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies that have occurred in our satellites and the satellites of other operators as a result of various factors, such as manufacturing defects, problems with the power systems or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space.

Although we work closely with the satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of many critical components in the satellites, we may experience anomalies in the future, whether of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially and adversely affect our operations and revenues and our relationship with current customers, as well as our ability to attract new customers for our pay-TV services. In particular, future anomalies may result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly. Anomalies may also reduce the expected useful life of a satellite, thereby reducing the channels that could be offered using that satellite, or create additional expenses due to the need to provide replacement or back-up satellites. You should review the disclosures

Table of Contents

relating to satellite anomalies set forth under Note 8 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K.

Environmental risks. Meteoroid events pose a potential threat to all in-orbit satellites. The probability that meteoroids will damage those satellites increases significantly when the Earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity also poses a potential threat to all in-orbit satellites.

Some decommissioned satellites are in uncontrolled orbits that pass through the geostationary belt at various points, and present hazards to operational satellites, including our satellites. We may be required to perform maneuvers to avoid collisions and these maneuvers may prove unsuccessful or could reduce the useful life of the satellite through the expenditure of fuel to perform these maneuvers. The loss, damage or destruction of any of our satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business, financial condition and results of operations.

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.

Generally, we do not carry launch or in-orbit insurance on any of the satellites we use. We currently do not carry in-orbit insurance on any of our owned or leased satellites, other than certain satellites leased from third parties, and generally do not use commercial insurance to mitigate the potential financial impact of launch or in-orbit failures because we believe that the cost of insurance premiums is uneconomical relative to the risk of such failures. We lease substantially all of our satellite capacity from third parties, including the vast majority of our transponder capacity from EchoStar, and we do not carry commercial insurance on any of the satellites we lease from them. 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 owned or leased satellites and use it as a replacement for the failed or lost satellite. If one or more of our owned in-orbit satellites fail, we could be required to record significant impairment charges.

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

Questions relating to conflicts of interest may arise between EchoStar and us in a number of areas relating to our past and ongoing relationships. Areas in which conflicts of interest between EchoStar and us could arise include, but are not limited to, the following:

- *Cross officerships, directorships and stock ownership.* We have certain overlap in directors and executive officers with EchoStar. These individuals may have actual or apparent conflicts of interest with respect to matters involving or affecting each company. Our Board of Directors and executive officers include persons who are members of the Board of Directors of EchoStar, including Charles W. Ergen, who serves as the Chairman of EchoStar and us. The executive officers and the members of our Board of Directors who overlap with EchoStar have fiduciary duties to EchoStar s shareholders. For example, there is the potential for a conflict of interest when we or EchoStar look at acquisitions and other corporate opportunities that may be suitable for both companies. In addition, certain of our directors and officers own EchoStar stock and options to purchase EchoStar stock. Mr. Ergen owns approximately 36.5% of EchoStar s total equity securities (assuming conversion of all Class B Common Stock into Class A Common Stock) and beneficially owns approximately 43.6% of EchoStar s total equity securities (assuming conversion of only the Class B Common Stock held by Mr. Ergen into Class A Common Stock). Under either a beneficial or equity calculation

method, Mr. Ergen controls approximately 62.4% of the voting power of EchoStar. Mr. Ergen s ownership of EchoStar excludes 15,188,445 shares of its Class A Common Stock issuable upon conversion of shares of its Class B Common Stock currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts own approximately 16.6% of EchoStar s total equity securities (assuming conversion of all Class B Common Stock into Class A Common Stock) and beneficially own approximately 25.7% of EchoStar s total equity securities (assuming conversion of only the Class B Common Stock held by such trusts into Class A Common Stock). Under either a beneficial or equity calculation method, these trusts possess approximately 29.2% of EchoStar s total voting power. These ownership interests could create actual, apparent or potential conflicts of interest when these individuals are faced with decisions that could have different implications for us and EchoStar. Furthermore, Charles W. Ergen, our Chairman, is employed by both us and EchoStar. In addition, as a result of the Satellite and Tracking Stock Transaction discussed in

Table of Contents

Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K, we own shares of a series of preferred tracking stock issued by EchoStar and shares of a series of preferred tracking stock issued by Hughes Satellite Systems Corporation (HSSC), a subsidiary of EchoStar (collectively, the Tracking Stock). 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. 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. Further, Effective July 1, 2012, we and EchoStar formed Sling TV Holding L.L.C. (Sling TV, formerly known as DISH Digital Holding L.L.C.), which was owned two-thirds by us and one-third by EchoStar. Sling TV was formed to develop and commercialize certain advanced technologies. Effective August 1, 2014, EchoStar and Sling TV entered into an 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. On February 9, 2015, we launched a live, OTT service under the Sling TV brand. See Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for additional information.

- *Intercompany agreements with EchoStar.* 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. See Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion of our Related Party Transactions with EchoStar. The terms of certain of these agreements were established while EchoStar was a wholly-owned subsidiary of us and were not the result of arm s length negotiations. The allocation of assets, liabilities, rights, indemnifications and other obligations between EchoStar and us under the separation and other intercompany agreements we entered into with EchoStar, in connection with the Spin-off, may have been different if agreed to by two unaffiliated parties. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favorable, or less favorable, to us. In addition, conflicts could arise between us and EchoStar in the interpretation or any extension or renegotiation of these existing agreements.

- *Additional intercompany transactions.* EchoStar and its subsidiaries have and will continue to enter into transactions with us and our subsidiaries. Although the terms of any such transactions will be established based upon negotiations between EchoStar and us and, when appropriate, subject to the approval of a committee of the non-interlocking directors or in certain instances non-interlocking management, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as may otherwise be obtained between unaffiliated parties.

- *Business opportunities.* We have historically retained, and in the future may acquire, interests in various companies that have subsidiaries or controlled affiliates that own or operate domestic or foreign services that may compete with services offered by EchoStar. We may also compete with EchoStar when we participate in auctions for spectrum or orbital slots for our satellites. In addition, EchoStar may in the future use its satellites, uplink and transmission assets to compete directly against us in the subscription television business.

We may not be able to resolve any potential conflicts, and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

Other than certain arrangements with EchoStar that we entered into in connection with Sling TV, which, subject to certain exceptions, limits EchoStar s and our ability to operate an IPTV service other than operated by Sling TV, we do not have agreements with EchoStar that would prevent either company from competing with the other.

38

Table of Contents

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

We believe that our future success will depend to a significant extent upon the performance of Charles W. Ergen, our Chairman, and certain other executives. The loss of Mr. Ergen or of certain other key executives could have a material adverse effect on our business, financial condition and results of operations. Although all of our executives have executed agreements limiting their ability to work for or consult with competitors if they leave us, we do not have employment agreements with any of them. To the extent our officers are performing services for EchoStar, this may divert their time and attention away from our business and may therefore adversely affect our business.

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.

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 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. By June 2013, we were required to provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the 700 MHz Interim Build-Out Requirement). By June 2019, we were required to provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the 700 MHz Final Build-Out Requirement). As discussed below, these requirements have since been modified by the FCC.

On September 9, 2013, we filed a letter with the FCC in support of a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the Interoperability Solution). On October 29, 2013, the FCC issued an order approving the Interoperability Solution (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 700 MHz Interim Build-Out Requirement 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). These requirements replaced the previous build-out requirements associated with our 700 MHz licenses. 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 and TerreStar to us. On March 9, 2012, we completed the DBSD Transaction and 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.

Our consolidated FCC applications for approval of the license transfers from DBSD North America and TerreStar were accompanied by requests for waiver of the FCC s MSS integrated service and spare satellite requirements and various technical provisions. On March 21, 2012, the FCC released a Notice of Proposed Rule Making proposing the elimination of the integrated service, spare satellite and various technical requirements associated with these licenses. On December 11, 2012, the FCC approved rules that eliminated these requirements and gave notice

Table of Contents

of its proposed modification of our authorizations to, among other things, allow us to offer single-mode terrestrial terminals to customers who do not desire satellite functionality. 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. 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 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. The auction of wireless spectrum known as the H Block commenced on January 22, 2014 and concluded on February 27, 2014. We were the winning bidder for all 176 wireless spectrum licenses in the H Block auction with an aggregate bid of $1.564 billion. On December 17, 2013, we paid approximately $328 million to the FCC as a deposit for the H Block auction. We paid the remaining balance of our winning bid of approximately $1.236 billion for the H Block licenses on March 28, 2014. On April 29, 2014, the FCC issued an order granting our application to acquire these H Block licenses. As a result, during May 2014, we also paid approximately $13 million to UTAM, Inc. for clearance costs associated with the lower H Block spectrum and approximately $95 million to Sprint for clearance costs associated with the upper H Block spectrum in connection with the issuance of the H Block licenses. 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

40

Table of Contents

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.

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 our wholly-owned subsidiary, 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 the Northstar Spectrum LLC Agreement by and between American II and Northstar Manager. Pursuant to the Northstar Spectrum LLC Agreement, American II and Northstar Manager agreed to make pro-rata equity contributions in Northstar Spectrum equal to approximately 15% of the net purchase price of the Northstar Licenses. American II also entered into the Northstar Credit Agreement by and among American II, as Lender, Northstar Wireless, as Borrower, and Northstar Spectrum, as Guarantor. Pursuant to the Northstar Credit Agreement, American II agreed to make loans to Northstar Wireless for approximately 85% of the net purchase price of the Northstar Licenses. American II made equity contributions to Northstar Spectrum of approximately $633 million and a loan to Northstar Wireless of approximately $432 million for Northstar Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the Northstar Licenses. American II is also required to make an equity contribution to Northstar Spectrum of approximately $117 million and a loan to Northstar Wireless of approximately $4.569 billion for Northstar Wireless to make the final payment required for the Northstar Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American II to Northstar Spectrum will be approximately $750 million and the total loans from American II to Northstar Wireless will be 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 is obligated to make 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 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 the SNR Holdco LLC Agreement by and between American III and SNR Management. Pursuant to the SNR Holdco LLC Agreement, American III and SNR Management agreed to make pro-rata equity contributions in SNR Holdco equal to approximately 15% of the net purchase price of the SNR Licenses. American III also entered into the SNR Credit Agreement by and among American III, as Lender, SNR Wireless, as Borrower, and SNR Holdco, as Guarantor. Pursuant to the SNR Credit Agreement, American III agreed to make loans to SNR Wireless for the amount of the bid withdrawal payment and approximately 85% of the net purchase price of the SNR Licenses. American III made equity contributions to SNR Holdco of approximately $408 million and a loan to SNR Wireless of approximately $350 million for SNR Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the SNR Licenses. American III is also required to make an equity contribution to SNR Holdco of approximately $116 million and a loan to SNR Wireless of approximately $3.153 billion for SNR Wireless to make the final payment required for the SNR Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American III to SNR Holdco will be approximately $524 million and the total loans from American III to SNR Wireless will be approximately $3.503 billion.

41

Table of Contents

After Northstar Wireless and SNR Wireless have made the final payments to the FCC 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 will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. Issuance of any AWS-3 Licenses to Northstar Wireless and SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. Objections to the applications filed by Northstar Wireless and SNR Wireless must be submitted to the FCC within ten calendar days following the release by the FCC of the public notice listing the applications acceptable for filing. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless.

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.

We have used a substantial portion of our existing cash and marketable investment securities to fund our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities. As a result of, among other things, these non-controlling investments, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all. 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 *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* below for more information.

Impairment of Assets

Furthermore, the fair values of wireless spectrum licenses and related assets may vary significantly in the future. In particular, valuation swings could occur if:

- consolidation in the wireless industry allows or requires wireless carriers to sell significant portions of their wireless spectrum holdings, which could in turn reduce the value of our spectrum holdings;

- a sale of spectrum by one or more wireless providers occurs;

Table of Contents

- the FCC pursues certain policies designed to increase the number of wireless spectrum licenses available in each of our markets; or

- the FCC conducts additional wireless spectrum auctions.

If the fair value of our wireless spectrum licenses were to decline significantly, the value of these licenses could be subject to impairment charges. We assess potential impairments to our indefinite-lived intangible assets annually or more often if indicators of impairment arise to determine whether there is evidence that indicate an impairment condition may exist.

Based on the FCC s rules applicable to our AWS-4 authorizations no longer requiring an integrated satellite component or ground spare and on our evaluation of the satellite capacity needed for our wireless segment, among other things, during the second quarter 2013, we concluded that T2 and D1 represented excess satellite capacity for the potential commercialization of our wireless spectrum. During the fourth quarter 2014, EchoStar purchased our rights to the T2 satellite. While we are no longer required to operate an integrated satellite component, we are currently planning on using T1 and D1 in the commercialization of our wireless spectrum or for other commercial purposes. If T1 is not used in the commercialization of our wireless spectrum or for other commercial purposes, we may need to impair it in the future, which could materially and adversely affect our future results of operations. If D1 is not used in the commercialization of our wireless spectrum or for other commercial purposes, we may need to further impair it in the future, which could materially and adversely affect our future results of operations.

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 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.

To the extent we commercialize our wireless spectrum licenses and enter the wireless services industry, a wireless services business presents certain risks. Any of the following risks, among others, may have a material adverse effect on our future business, results of operations and financial condition.

- ***The wireless services industry is competitive and maturing.*** We have limited experience in the wireless services industry, which is a competitive and maturing industry with incumbent and established competitors such as Verizon, AT&T, Sprint Corporation (Sprint) and T-Mobile USA Inc. (T-Mobile). These companies have substantial market share and have more wireless spectrum assets than us. Some of these companies have greater financial, marketing and other resources than us, and have existing cost and operational advantages that we lack. Market saturation is expected to continue to cause the wireless services industry s customer growth rate to moderate in comparison to historical growth

rates, leading to increased competition for customers. As the industry matures, 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 wireless services. Furthermore, the cost of attracting a new customer is generally higher than the cost associated with retaining an existing customer. In addition, we may face increasing competition from wireless telecommunications providers who offer mobile video offerings. Wireless mobile video offerings will likely become more prevalent in the marketplace as wireless telecommunications providers implement and expand the fourth generation of wireless communications. During May 2014, AT&T announced its pending acquisition of DirecTV, which is currently undergoing regulatory review and has not been completed. We filed a petition to impose conditions on the transaction with the FCC, to remedy potential threats to consumers and competition in the video and broadband markets. If DirecTV ultimately is acquired by AT&T, DirecTV will, among other things, have increased access to capital, access to AT&T s nationwide platform for wireless mobile video, and the ability to more seamlessly bundle its video services with AT&T s broadband Internet access and voice services. The combined company would also be able to, among other things, pressure third-party content owners and programmers to withhold online rights from us; utilize its increased leverage over third-party content owners and programmers to reduce the price it pays for programming at the expense of other MVPDs, including us; thwart our entry into the wireless market, by, among other things, refusing to enter into data roaming agreements with us; foreclose or degrade our online video offerings at various points in the broadband pipe; and impose anti-competitive data caps on consumers who access our online video offerings.

Table of Contents

• ***Our ability to compete effectively would be dependent on a number of factors.*** Our ability to compete effectively would depend on, among other things, our network quality, capacity and coverage; the pricing of our products and services; the quality of customer service; our development of new and enhanced products and services; the reach and quality of our sales and distribution channels; and capital resources. It would also depend on how successfully we anticipate and respond to various competitive factors affecting the industry, including, among others, new technologies and business models, products and services that may be introduced by competitors, changes in consumer preferences, the demand for services, demographic trends, economic conditions, and discount pricing and other strategies that may be implemented by competitors. It may be difficult for us to differentiate our products and services from other competitors in the industry, which may limit our ability to attract customers. Our success also may depend on our ability to access and deploy adequate spectrum, deploy new technologies and offer attractive services to customers. For example, we may not be able to obtain and offer certain technologies or features that are subject to competitor patents or other exclusive arrangements.

• ***We would depend on third parties to provide us with infrastructure and products and services.*** We would depend on various key suppliers and vendors to provide us, directly or through other suppliers, with infrastructure, equipment and services, such as switch and network equipment, handsets and other devices and equipment that we would need in order to operate a wireless services business and provide products and services to our customers. For example, handset and other device suppliers often rely on one vendor for the manufacture and supply of critical components, such as chipsets, used in their devices. If these suppliers or vendors fail to provide equipment or services on a timely basis or fail to meet performance expectations, we may be unable to provide products and services as and when expected by our customers. Any difficulties experienced with these suppliers and vendors could result in additional expense and/or delays in introducing our wireless services. Our efforts would involve significant expense and require strategic management decisions on, and timely implementation of, equipment choices, network deployment and management, and service offerings. In addition, these suppliers and vendors may also be subject to litigation with respect to technology on which we would depend, including litigation involving claims of patent infringement, which claims have been growing rapidly in the wireless services industry.

• ***Wireless services and our wireless spectrum licenses are subject to government regulation.*** Wireless services and our wireless spectrum licenses are subject to regulation by the FCC and other federal, state and local, as well as international, governmental authorities. These governmental authorities could adopt regulations or take other actions that would adversely affect our business prospects. The licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the jurisdiction, other federal and international, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands. The FCC grants wireless licenses for terms of generally ten years that are subject to renewal or revocation. There can be no assurances that our wireless spectrum licenses will be renewed. Failure to comply with FCC requirements in a given license area could result in revocation of the license for that license area. For further information related to our wireless spectrum licenses, including build-out requirements, see other Risk Factors above.

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.

In addition to the risks described in *Item 1A. Risk Factors - 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* in this Annual Report on Form 10-K, we face certain other risks related to our non-controlling investments in the Northstar Entities and the SNR Entities, including, among others, the risks described below. Any of the following risks, among others, may have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

We do not own or control the Northstar Licenses or the SNR Licenses nor do we control the Northstar Entities or the SNR Entities. We do not have, a right to require Northstar Manager or SNR Management to sell their respective ownership interests in Northstar Spectrum and SNR Holdco to us. Northstar Manager, as the sole manager of Northstar Spectrum, and SNR Management, as the sole manager of SNR Holdco, will have the exclusive right and power to manage, operate and control Northstar Spectrum and SNR Holdco, respectively, subject to certain limited protective provisions for the benefit of American II and American III, respectively. Northstar Manager and SNR Management will have the ability, but not the obligation, to require Northstar Spectrum and SNR Holdco, respectively, to purchase Northstar Manager s and SNR Management s ownership interests in those respective entities after the fifth anniversary of the grant date of the Northstar Licenses and the SNR Licenses. Thus, we cannot be certain that the Northstar Licenses or the SNR Licenses will be developed in a manner fully consistent with our current or future business plans.

The FCC has implemented rules and policies governing the designated entity program that are intended to ensure that qualifying designated entities are not controlled by operators or investors that do not meet certain qualification tests. For example, designated entity structures are subject, among other things, to a requirement that they seek approval for any event that might affect their ongoing eligibility (e.g., changes in agreements that the FCC has previously reviewed), annual reporting requirements, and a commitment by the FCC to audit each designated entity at least once during the license term. In addition, control, for purposes of the FCC regulations, includes call rights so that operators or investors that do not meet the small business qualification tests may not hold an option or right to acquire a controlling interest in a designated entity. Qualification is also subject to challenge in *qui tam* lawsuits filed by private parties alleging that participants have defrauded the government in which the person bringing the suit may share in any recovery by the government. In addition, the FCC may require that we, the Northstar Entities and/or the SNR Entities modify their respective agreements in order for Northstar Wireless and SNR Wireless to confirm their respective qualifications as Designated Entities. In the event that Northstar Wireless or SNR Wireless fail to comply with the FCC s designated entity rules, any such failure could lead to fines; reimbursement of the 25% bidding credits plus interest; and in certain cases, license revocation, third-party lawsuits and/or criminal penalties. Furthermore, litigation surrounding designated entity structures, increased regulatory scrutiny or third party or government lawsuits with respect to our non-controlling investments in the Northstar Entities and the SNR Entities could materially adversely affect our business, financial condition or results of operations.

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.

We have used a substantial portion of our existing cash and marketable investment securities to fund our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities. As a result of, among other things, these non-controlling investments, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all. 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.

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.

Our future success may depend on opportunities to buy other businesses or technologies that could complement, enhance or expand our current businesses or products or that might otherwise offer us growth opportunities. To pursue this strategy successfully, we must identify attractive acquisition or investment opportunities and successfully complete transactions, some of which may be large and complex. We may not be able to identify or

Table of Contents

complete attractive acquisition or investment opportunities due to, among other things, the intense competition for these transactions. If we are not able to identify and complete such acquisition or investment opportunities, our future results of operations and financial condition may be adversely affected.

We may be unable to obtain in the anticipated timeframe, or at all, any regulatory approvals required to complete proposed acquisitions and other strategic transactions. Furthermore, the conditions imposed for obtaining any necessary approvals could delay the completion of such transactions for a significant period of time or prevent them from occurring at all. We may not be able to complete such transactions and such transactions, if executed, pose significant risks and could have a negative effect on our operations. Any transactions that we are able to identify and complete may involve a number of risks, including:

- the diversion of our management s attention from our existing businesses to integrate the operations and personnel of the acquired or combined business or joint venture;
- possible adverse effects on our operating results during the integration process;
- a high degree of risk inherent in these transactions, which could become substantial over time, and higher exposure to significant financial losses if the underlying ventures are not successful;
- our possible inability to achieve the intended objectives of the transaction; and
- the risks associated with complying with regulations applicable to the acquired business, which may cause us to incur substantial expenses.

In addition, we may not be able to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees. We may not be able to maintain uniform standards, controls, procedures and policies, and this may lead to operational inefficiencies. In addition, the integration process may strain our financial and managerial controls and reporting systems and procedures.

New acquisitions, joint ventures and other transactions may require the commitment of significant capital that would otherwise be directed to investments in our existing businesses. To pursue acquisitions and other strategic transactions, we may need to raise additional capital in the future, which may not be available on acceptable terms or at all.

In addition to committing capital to complete the acquisitions, substantial capital may be required to operate the acquired businesses following their acquisition. These acquisitions may result in significant financial losses if the intended objectives of the transactions are not achieved.

Some of the businesses acquired by us have experienced significant operating and financial challenges in their recent history, which in some cases resulted in these businesses commencing bankruptcy proceedings prior to our acquisition. We may acquire similar businesses in the future. There is no assurance that we will be able to successfully address the challenges and risks encountered by these businesses following their acquisition. If we are unable to successfully address these challenges and risks, our business, financial condition and/or results of operations may suffer.

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.

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, construct and launch new satellites, and to pursue acquisitions and other strategic transactions. Weakness in the equity markets could make it difficult for us to raise equity financing without incurring substantial dilution to our existing shareholders. In addition, economic weakness or weak results of operations may limit our ability to generate sufficient internal cash to fund 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.

[Table of Contents](#)

See *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* above for more information.

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.

From time to time a portion of our investment portfolio may be invested in strategic investments, and as a result, a portion of our portfolio may have restricted liquidity. If the credit ratings of these securities deteriorate or there is a lack of liquidity in the marketplace, we may be required to record impairment charges. Moreover, the uncertainty of domestic and global financial markets can greatly affect the volatility and value of our marketable investment securities. In addition, a portion of our investment portfolio may include strategic and financial investments in debt and equity securities of public companies that are highly speculative and experience volatility. Typically, these investments are concentrated in a small number of companies. The fair value of these investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. The concentration of these investments as a percentage of our overall investment portfolio fluctuates from time to time based on, among other things, the size of our investment portfolio and our ability to liquidate these investments. In addition, because our portfolio may be concentrated in a limited number of companies, we may experience a significant loss if any of these companies, among other things, defaults on its obligations, performs poorly, does not generate adequate cash flow to fund its operations, is unable to obtain necessary financing on acceptable terms, or at all, or files for bankruptcy, or if the sectors in which these companies operate experience a market downturn. To the extent we require access to funds, we may need to sell these securities under unfavorable market conditions, record impairment charges and fall short of our financing needs.

We have substantial debt outstanding and may incur additional debt.

As of December 31, 2014, our total debt, including the debt of our subsidiaries, was $14.464 billion. Our debt levels could have significant consequences, including:

- requiring us to devote a substantial portion of our cash to make interest and principal payments on our debt, thereby reducing the amount of cash available for other purposes. As a result, we would have limited financial and operating flexibility in responding to changing economic and competitive conditions;

- limiting our ability to raise additional debt because it may be more difficult for us to obtain debt financing on attractive terms; and

- placing us at a disadvantage compared to our competitors that are less leveraged.

In addition, we may incur substantial additional debt in the future. The terms of the indentures relating to our senior notes permit us to incur additional debt. If new debt is added to our current debt levels, the risks we now face could intensify.

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.

Certain provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- a capital structure with multiple classes of common stock: a Class A that entitles the holders to one vote per share, a Class B that entitles the holders to ten votes per share, a Class C that entitles the holders to one vote per share, except upon a change in control of our company in which case the holders of Class C are entitled to ten votes per share;

- a provision that authorizes the issuance of blank check preferred stock, which could be issued by our Board of Directors to increase the number of outstanding shares and thwart a takeover attempt;

- a provision limiting who may call special meetings of shareholders; and

- a provision establishing advance notice requirements for nominations of candidates for election to our Board of Directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

In addition, pursuant to our certificate of incorporation we have a significant amount of authorized and unissued stock which would allow our Board of Directors to issue shares to persons friendly to current management, thereby protecting the continuity of its management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us.

We are controlled by one principal stockholder who is also our Chairman.

Charles W. Ergen, our Chairman, owns approximately 46.8% of our total equity securities (assuming conversion of all Class B Common Stock into Class A Common Stock) and beneficially owns approximately 49.5% of our total equity securities (assuming conversion of only the Class B Common Stock held by Mr. Ergen into Class A Common Stock). Under either a beneficial or equity calculation method, Mr. Ergen controls approximately 81.9% of the total voting power. Mr. Ergen s beneficial ownership of shares of Class A Common Stock excludes 25,188,204 shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts own approximately 5.5% of our total equity securities (assuming conversion of all Class B Common Stock into Class A Common Stock) and beneficially own approximately 10.1% of our total equity securities (assuming conversion of only the Class B Common Stock held by such trusts into Class A Common Stock). Under either a beneficial or equity calculation method, these trusts possess approximately 9.7% of the total voting power. Through his voting power, Mr. Ergen has the ability to elect a majority of our directors and to control all other matters requiring the approval of our stockholders. As a result, DISH Network is a controlled company as defined in the Nasdaq listing rules and is, therefore, not subject to Nasdaq requirements that would otherwise require us to have: (i) a majority of independent directors; (ii) a nominating committee composed solely of independent directors; (iii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (iv) director nominees selected, or recommended for the Board s selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors. Mr. Ergen is also the principal stockholder and Chairman of EchoStar.

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 rely on our patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. Legal challenges to our intellectual property rights and claims

of intellectual property infringement by third parties could require that we enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of our businesses as currently conducted, which could require us to change our business practices or limit our ability to compete effectively or could have an adverse effect on our results of operations. Even if we believe any such challenges or claims are without merit, they can be time-consuming and costly to defend and divert management s attention and resources away from our business. We currently have pending lawsuits with two major broadcast television networks alleging, among other things, that the PrimeTime Anytime and AutoHop features of the Hopper® set-top box infringe their copyrights. Additionally, Fox has alleged, among other things, that the Slingbox placeshifting functionality and Hopper Transfers features of our Hopper set-top box infringe its copyrights. See Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further information. In the event a court ultimately determines that we infringe the asserted copyrights, we may be subject to, among other things, an injunction that could require us to materially modify or cease to offer these features. Moreover, because of the rapid pace of technological change, we rely on technologies developed or

licensed by third parties, and if we are unable to obtain or continue to obtain licenses from these third parties on reasonable terms, our business, financial condition and results of operations could be adversely affected.

In addition, we work with third parties such as vendors, contractors and suppliers for the development and manufacture of components that are integrated into our products and services, and our products and services may contain technologies provided to us by these third parties or other third parties. We may have little or no ability to determine in advance whether any such technology infringes the intellectual property rights of others. Our vendors, contractors and suppliers may not be required to indemnify us if a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages. Legal challenges to these intellectual property rights may impair our ability to use the products, services and technologies that we need in order to operate our business and may materially and adversely affect our business, financial condition and results of operations.

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

We are subject to various legal proceedings and claims which arise in the ordinary course of business, including among other things, disputes with programmers regarding fees. Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that may cover or affect products or services related to those that we offer. In general, if a court determines that one or more of our products or services infringes on intellectual property held by others, we may be required to cease developing or marketing those products or services, to obtain licenses from the holders of the intellectual property at a material cost, or to redesign those products or services in such a way as to avoid infringing the intellectual property. If those intellectual property rights are held by a competitor, we may be unable to obtain the intellectual property at any price, which could adversely affect our competitive position. Please see further discussion under *Item 1. Business Patents and Other Intellectual Property* of this Annual Report on Form 10-K.

We may not be aware of all intellectual property rights that our services or the products used in connection with our services may potentially infringe. In addition, patent applications in the United States are confidential until the Patent and Trademark Office either publishes the application or issues a patent (whichever arises first). Therefore, it is difficult to evaluate the extent to which our services or the products used in connection with our services may infringe claims contained in pending patent applications. Further, it is often not possible to determine definitively whether a claim of infringement is valid.

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

As a result of recent updates to certain of our programming agreements which allow us to, among other things, deliver certain authenticated content via the Internet and/or through our OTT services, we are increasingly distributing video content to our subscribers via the Internet and through our OTT services. The ability to continue this strategy may depend in part on the FCC s success in implementing rules prohibiting blocking and discrimination against our distribution of content over broadband networks. For more information, see *Item 1. Business Government Regulations FCC Regulations Governing our DBS Operations Net Neutrality* of this Annual Report on Form 10-K.

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

We purchase a large percentage of our programming from cable-affiliated programmers. Pursuant to the Cable Act, cable providers had been prohibited from entering into exclusive contracts with cable-affiliated programmers. The Cable Act directed that this prohibition expire after a certain period of time unless the FCC determined that the prohibition continued to be necessary. On October 5, 2012, the FCC allowed this prohibition to expire. While the FCC has issued a Further Notice of Proposed Rulemaking aimed at serving some of the same objectives as the prohibition, there can be no assurances that such protections will be adopted or be as effective as the prohibition if they are adopted. In the event this decision is reconsidered by the FCC or reviewed by a court of appeals, we cannot predict the timing or outcome of any subsequent FCC decision.

Table of Contents

As a result of the expiration of this prohibition on exclusivity, we may be limited in our ability to obtain access at all, or on nondiscriminatory terms, to programming from programmers that are affiliated with cable system operators. In addition, any other changes in the Cable Act, and/or the FCC s rules that implement the Cable Act, that currently limit the ability of cable-affiliated programmers to discriminate against competing businesses such as ours, could adversely affect our ability to acquire cable-affiliated programming at all or to acquire programming on nondiscriminatory terms.

Furthermore, the FCC had imposed program access conditions on certain cable companies as a result of mergers, consolidations or affiliations with programmers. The expiration of the exclusivity prohibition in the Cable Act triggered the termination of certain program access conditions that the FCC had imposed on Liberty. In July 2012, similar program access conditions that had applied to Time Warner Cable expired as previously scheduled. These developments may adversely affect our ability to obtain Liberty s and Time Warner Cable s programming, or to obtain it on nondiscriminatory terms. In the case of certain types of programming affiliated with Comcast through its control of NBCUniversal, the prohibition on exclusivity will still apply until January 2018. During that time, we have the right to subject the terms of access to NBCUniversal s programming to binding arbitration if we and the programmer cannot reach agreement on terms, subject to FCC review. There can be no assurance that this procedure will result in favorable terms for us or that the FCC conditions that establish this procedure will be prevented from expiring on their own terms.

In addition, affiliates of certain cable providers have denied us access to sports programming they feed to their cable systems terrestrially, rather than by satellite. The FCC has held that new denials of such service are unfair if they have the purpose or effect of significantly hindering us from providing programming to consumers. However, we cannot be sure that we can prevail in a complaint related to such programming and gain access to it. Our continuing failure to access such programming could materially and adversely affect our ability to compete in regions serviced by these cable providers.

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

Pursuant to STELA, we obtained a waiver of a court injunction that previously prevented us from retransmitting certain distant network signals under a statutory copyright license. Because of that waiver, we may provide distant network signals to eligible subscribers. To qualify for that waiver, we are required to provide local service in all 210 local markets in the U.S. on an ongoing basis. This condition poses a significant strain on our capacity. Moreover, we may lose that waiver if we are found to have failed to provide local service in any of the 210 local markets. If we lose the waiver, the injunction could be reinstated. Furthermore, depending on the severity of the failure, we may also be subject to other sanctions, which may include, among other things, damages.

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 operations, particularly our DBS operations and our wireless spectrum licenses, are subject to significant government regulation and oversight, primarily by the FCC and, to a certain extent, by Congress, other federal agencies and foreign, state and local authorities. Depending upon the circumstances, noncompliance with legislation or regulations promulgated by these authorities could result in the limitations on, or suspension or revocation of, our licenses or registrations, the termination or loss of contracts or the imposition of contractual damages, civil fines or criminal penalties, any of which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the adoption or modification of laws or regulations relating to video programming, satellite services, wireless telecommunications, broadband, the Internet or other areas of our business could limit or otherwise adversely affect the manner in which we currently conduct our business. If we become subject to new regulations or legislation or new interpretations of existing regulations or legislation that govern Internet

network neutrality, for example, we may be required to incur additional expenses or alter our business model. The manner in which legislation governing Internet network neutrality may be interpreted and enforced cannot be precisely determined, which in turn could have an adverse effect on our business, financial condition and results of operations. You should review the regulatory disclosures under the caption *Item 1. Business Government Regulations* of this Annual Report on Form 10-K.

Table of Contents

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

If the FCC were to cancel, revoke, suspend, restrict, significantly condition, or fail to renew any of our licenses or authorizations, or fail to grant our applications for FCC licenses, it could have a material adverse effect on our business, financial condition and results of operations. Specifically, loss of a frequency authorization would reduce the amount of spectrum available to us, potentially reducing the amount of services available to our subscribers. The materiality of such a loss of authorizations would vary based upon, among other things, the location of the frequency used or the availability of replacement spectrum. In addition, Congress often considers and enacts legislation that affects us and FCC proceedings to implement the Communications Act and enforce its regulations are ongoing. We cannot predict the outcomes of these legislative or regulatory proceedings or their effect on our business.

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

To provide any full-power local broadcast signal in any market, we are required to retransmit all qualifying broadcast signals in that market (carry-one, carry-all). The FCC adopted digital carriage rules that required DBS providers to phase in carry-one, carry-all obligations with respect to the carriage of full-power broadcasters HD signals by February 17, 2013 in markets in which they elect to provide local channels in HD. We have met this requirement in all applicable markets. In addition, STELA has imposed accelerated HD carriage requirements for noncommercial educational stations on DBS providers that do not have a certain contractual relationship with a certain number of such stations. We have entered into such contractual relationships with the requisite number of PBS stations to comply with the requirements. The carriage of additional HD signals on our pay-TV service could cause us to experience significant capacity constraints and prevent us from carrying additional popular national programs and/or carrying those national programs in HD. In addition, there is a pending rulemaking before the FCC regarding whether to require DBS providers to carry all broadcast stations in a local market in both standard definition and HD if they carry any station in that market in both standard definition and HD. If we were required to carry multiple versions of each broadcast station, we would have to dedicate more of our finite satellite capacity to each broadcast station. We cannot predict the timing or outcome of this rulemaking process.

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

We periodically evaluate and test our internal control over financial reporting to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2014. If in the future we are unable to report that our internal control over financial reporting is effective (or if our auditors do not agree with our assessment of the effectiveness of, or are unable to express an opinion on, our internal control over financial reporting), investors, customers and business partners could lose confidence in the accuracy of our financial reports, which could in turn have a material adverse effect on our business, investor confidence in our financial results may weaken, and our stock price may suffer.

We may face other risks described from time to time in periodic and current reports we file with the SEC.

Table of Contents

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following table sets forth certain information concerning our principal properties related to our business segments.

Description/Use/Location	Segment(s) Using Property	Owned	Leased From EchoStar (1)	Leased From Other Third Party
Corporate headquarters, Englewood, Colorado	DISH/Wireless		X	
Customer call center and general offices, Roseland, New Jersey	DISH			X
Customer call center, Alvin, Texas	DISH			X
Customer call center, Bluefield, West Virginia	DISH	X		
Customer call center, Christiansburg, Virginia	DISH	X		
Customer call center, College Point, New York	DISH			X
Customer call center, Harlingen, Texas	DISH	X		
Customer call center, Hilliard, Ohio	DISH			X
Customer call center, Littleton, Colorado	DISH		X	
Customer call center, Phoenix, Arizona	DISH			X
Customer call center, Thornton, Colorado	DISH	X		
Customer call center, Tulsa, Oklahoma	DISH			X
Customer call, warehouse, service, and remanufacturing center, El Paso, Texas	DISH	X		
Service and remanufacturing center, Englewood, Colorado	DISH		X	
Service and remanufacturing center, Spartanburg, South Carolina	DISH			X
Warehouse and distribution center, Denver, Colorado	DISH			X
Warehouse and distribution center, Sacramento, California	DISH	X		
Warehouse and distribution center, Atlanta, Georgia	DISH			X
Warehouse, Denver, Colorado	DISH	X		

(1) See Note 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion of our Related Party Transactions with EchoStar.

In addition to the principal properties listed above, we operate numerous DISH service centers strategically located in regions throughout the United States. Furthermore, we own or lease capacity on 14 satellites, which are a major component of our DISH pay-TV service. See further discussion under *Item 1. Business Satellites* in this Annual Report on Form 10-K.

Item 3. LEGAL PROCEEDINGS

See Note 16 *Commitments and Contingencies - Litigation* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for information regarding certain legal proceedings in which we are involved.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Price of and Dividends on the Registrant s Common Equity and Related Stockholder Matters

Market Information. Our Class A common stock is quoted on the Nasdaq Global Select Market under the symbol DISH. The high and low closing sale prices of our Class A common stock during 2014 and 2013 on the Nasdaq Global Select Market (as reported by Nasdaq) are set forth below.

2014		**High**		**Low**
First Quarter	$	62.42	$	54.10
Second Quarter		65.64		56.23
Third Quarter		66.71		61.87
Fourth Quarter		79.41		57.96
First Quarter	$	38.02	$	34.19
Second Quarter		42.52		36.24
Third Quarter		48.09		41.66
Fourth Quarter		57.92		45.68

As of February 13, 2015, there were approximately 8,208 holders of record of our Class A common stock, not including stockholders who beneficially own Class A common stock held in nominee or street name. As of February 10, 2015, 213,247,004 of the 238,435,208 outstanding shares of our Class B common stock were beneficially held by Charles W. Ergen, our Chairman, and the remaining 25,188,204 were held in trusts established by Mr. Ergen for the benefit of his family. There is currently no trading market for our Class B common stock.

Dividends. On December 28, 2012, we paid a cash dividend of $1.00 per share, or approximately $453 million, on our outstanding Class A and Class B common stock to stockholders of record at the close of business on December 14, 2012.

While we currently do not intend to declare additional dividends on our common stock, we may elect to do so from time to time. Payment of any future dividends will depend upon our earnings and capital requirements, restrictions in our debt facilities, and other factors the Board of Directors considers appropriate. We currently intend to retain our earnings, if any, to support future growth and expansion, although we may repurchase shares of our common stock from time to time. See further discussion under *Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources* in this Annual Report on Form 10-K.

Securities Authorized for Issuance Under Equity Compensation Plans. See *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* in this Annual Report on Form 10-K.

Table of Contents

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information regarding purchases of our Class A common stock made by us for the period from October 1, 2014 through December 31, 2014.

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)			
October 1, 2014 - October 31, 2014		$		$ 1,000,000
November 1, 2014 - November 30, 2014		$		$ 1,000,000
December 1, 2014 - December 31, 2014		$		$ 1,000,000
Total		$		$ 1,000,000

(1) Our Board of Directors previously authorized stock repurchases of up to $1.0 billion of our Class A common stock. On October 30, 2014, our Board of Directors extended this authorization, such that we are currently authorized to repurchase 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. SELECTED FINANCIAL DATA

The selected consolidated financial data as of and for each of the five years ended December 31, 2014 have been derived from, and are qualified by reference to our Consolidated Financial Statements. As of December 31, 2013, Blockbuster had ceased material operations. The results of Blockbuster are presented for all periods as discontinued operations in our consolidated financial statements. See Note 10 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for additional information regarding our discontinued operations.

Certain prior year amounts have been reclassified to conform to the current year presentation. See further discussion under *Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Explanation of Key Metrics and Other Items* in this Annual Report on Form 10-K.

This data should be read in conjunction with our Consolidated Financial Statements and related Notes thereto for the three years ended December 31, 2014, and *Management s Discussion and Analysis of Financial Condition and Results of Operations* included elsewhere in this Annual Report on Form 10-K.

Balance Sheet Data	2014	2013	As of December 31, 2012 (In thousands)	2011	2010
Cash, cash equivalents and current marketable investment securities	$ 9,236,241	$ 9,739,404	$ 7,205,379	$ 2,001,917	$ 2,940,377
Total assets	22,107,462	20,356,430	17,379,608	11,470,231	9,632,153
Long-term debt and capital lease obligations (including current portion)	14,463,780	13,631,686	11,887,684	7,492,764	6,514,936
Total stockholders equity (deficit)	2,012,134	997,005	71,628	(419,003)	(1,133,443)

Statements of Operations Data	2014	2013	For the Years Ended December 31, 2012 (In thousands, except per share amounts)	2011	2010
Total revenue	$ 14,643,387	$ 13,904,865	$ 13,181,334	$ 13,074,063	$ 12,640,744
Total costs and expenses	12,818,936	12,556,686	11,922,976	10,145,080	10,699,916
Operating income (loss)	$ 1,824,451	$ 1,348,179	$ 1,258,358	$ 2,928,983	$ 1,940,828
Income (loss) from continuing operations	$ 928,902	$ 837,089	$ 662,919	$ 1,522,374	NA
Net income (loss) attributable to DISH Network	$ 944,693	$ 807,492	$ 636,687	$ 1,515,907	$ 984,729
Basic net income (loss) per share from continuing operations attributable to DISH Network	$ 2.05	$ 1.87	$ 1.49	$ 3.41	$ 2.21
Basic net income (loss) per share from discontinued operations		(0.10)	(0.08)	(0.01)	
Basic net income (loss) per share attributable to DISH Network	$ 2.05	$ 1.77	$ 1.41	$ 3.40	$ 2.21
Diluted net income (loss) per share from continuing operations attributable to DISH	$ 2.04	$ 1.86	$ 1.49	$ 3.41	$ 2.20

Network					
Diluted net income (loss) per share from discontinued operations		(0.10)	(0.08)	(0.02)	
Diluted net income (loss) per share attributable to DISH Network	$ 2.04	$ 1.76	$ 1.41	$ 3.39	$ 2.20
Cash dividend per common share	$	$	$ 1.00	$ 2.00	$

	For the Years Ended December 31,				
Other Data (Unaudited except for net cash flows)	**2014**	**2013**	**2012**	**2011**	**2010**
Pay-TV subscribers, as of period end (in millions)	13.978	14.057	14.056	13.967	14.133
Pay-TV subscriber additions, gross (in millions)	2.601	2.666	2.739	2.576	3.052
Pay-TV subscriber additions, net (in millions)	(0.079)	0.001	0.089	(0.166)	0.033
Pay-TV average monthly subscriber churn rate	1.59%	1.58%	1.57%	1.63%	1.76%
Pay-TV average subscriber acquisition cost per subscriber (Pay-TV SAC)	$ 853	$ 866	$ 784	$ 770	$ 776
Pay-TV average monthly revenue per subscriber (Pay-TV ARPU)	$ 83.77	$ 80.37	$ 76.98	$ 76.43	$ 73.32
Broadband subscribers, as of period end (in millions)	0.577	0.436	0.183	0.105	NA
Broadband subscriber additions, gross (in millions)	0.295	0.343	0.121	0.030	NA
Broadband subscriber additions, net (in millions)	0.141	0.253	0.078	(0.005)	NA
Net cash flows from (in thousands):					
Operating activities from continuing operations	$ 2,408,131	$ 2,309,197	$ 2,003,718	$ 2,619,160	$ 2,139,802
Investing activities from continuing operations	$ (983,924)	$ (3,034,857)	$ (3,004,082)	$ (2,783,172)	$ (1,477,521)
Financing activities from continuing operations	$ 980,267	$ 1,851,940	$ 4,003,933	$ 93,513	$ (127,453)

Table of Contents

Item 7. 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 audited consolidated financial statements and notes to our financial statements included elsewhere in this Annual Report. 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 this report, including under the caption Item 1A. Risk Factors in this Annual Report on Form 10-K. Furthermore, such forward-looking statements speak only as of the date of this Annual Report on Form 10-K 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

2014 Consolidated Results of Operations and Key Operating Metrics

- Revenue of $14.643 billion
- Pay-TV ARPU of $83.77
- Net income attributable to DISH Network of $945 million and basic earnings per share of common stock of $2.05
- Gross new Pay-TV subscriber activations of approximately 2.601 million

- Loss of approximately 79,000 net Pay-TV subscribers
- Pay-TV subscriber churn rate of 1.59%
- Addition of approximately 141,000 net broadband subscribers

Consolidated Financial Condition as of December 31, 2014

- Cash, cash equivalents and current marketable investment securities of $9.236 billion
- Total assets of $22.107 billion
- Total long-term debt and capital lease obligations of $14.464 billion

Business Segments

DISH

Our DISH branded pay-TV service (DISH) had 13.978 million subscribers in the United States as of December 31, 2014 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-

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

home DVR promotes a suite of integrated features and functionality designed to maximize the convenience and ease of 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 December 31, 2014, we had 0.577 million broadband subscribers in the United States. Connecting our subscribers receivers to broadband service enhances the video experience and facilitates access to DISH programming services on mobile devices. During 2012, we began marketing 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 television

On February 9, 2015, we launched Sling TV, a live, linear streaming OTT service. At launch, the core package consisted of over 14 channels offered for a $20 monthly subscription. In addition to the core programming package, Sling TV offers additional tiers of programming, including news and children s 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. Sling TV requires an Internet connection and is available through certain streaming-capable devices.

Prior to the launch of Sling TV, we offered, and continue to offer, an international video programming OTT service to a small number of Pay-TV subscribers under the DishWorld brand. As of December 31, 2014, our DishWorld subscribers are included in our Pay-TV subscriber count and represent a small percentage of our customers. We market our OTT services primarily to consumers who do not subscribe to traditional satellite and cable pay-TV services.

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 16 *Commitments and Contingencies Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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 auction designated by the FCC as 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. 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

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Spectrum and SNR Holdco, the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless have made the final payments to the FCC for the AWS-3 licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. 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 Consolidated Financial Statements in this Annual Report on Form 10-K 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.

We have used a substantial portion of our existing cash and marketable investment securities to fund our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities. As a result of, among other things, these non-controlling investments, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all. 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 16 *Commitments and Contingencies* *Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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 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.

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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 DISH. In the past, our Pay-TV subscriber growth has been adversely affected by signal theft and other forms of fraud and by operational inefficiencies at DISH. 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.

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 more programming channels to be carried over our existing satellites. Many of our customers today, however, do not have receivers that use MPEG-4 compression technology and a smaller but still significant 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

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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 have MPEG-4 compression technology 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 migrating customers with QPSK receivers to 8PSK receivers concurrent with scheduled in-home service visits or through receiver exchanges. We recently expanded that effort to our remaining customers that have QPSK receivers. We also began migrating customers in approximately ten percent of our local markets from MPEG-2 to MPEG-4 receivers. We are implementing this receiver migration to conform to the capabilities of our EchoStar XVIII satellite, scheduled for launch during the fourth quarter 2015. The estimated incremental subscriber related expense for these receiver migration efforts during the next two years is not expected to exceed $100 million. Both the schedule and the incremental costs of these receiver migrations 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 and to Pay-TV subscribers.

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.

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 and to Pay-TV subscribers. 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

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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.

Litigation expense. Litigation expense primarily consists of legal settlements, judgments or accruals associated with certain significant litigation.

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.

Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA). Adjusted EBITDA is defined as Net income (loss) attributable to DISH Network less Income (loss) from discontinued operations, net of tax 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.

Income (loss) from discontinued operations, net of tax. Income (loss) from discontinued operations, net of tax includes the results of Blockbuster operations which ceased material operations as of December 31, 2013.

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 DishWorld OTT service.

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.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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 Consolidated Statements of Cash Flows.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013.

Statements of Operations Data	For the Years Ended December 31, 2014	2013	Variance Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 14,495,091	$ 13,764,774	$ 730,317	5.3
Equipment sales and other revenue	85,815	94,855	(9,040)	(9.5)
Equipment sales, services and other revenue - EchoStar	62,481	45,236	17,245	38.1
Total revenue	14,643,387	13,904,865	738,522	5.3
Costs and Expenses:				
Subscriber-related expenses	8,313,046	7,818,061	494,985	6.3
% of Subscriber-related revenue	**57.4%**	**56.8%**		
Satellite and transmission expenses	693,114	535,541	157,573	29.4
% of Subscriber-related revenue	**4.8%**	**3.9%**		
Cost of sales - equipment, services and other	107,777	91,902	15,875	17.3
Subscriber acquisition costs	1,811,318	1,842,870	(31,552)	(1.7)
General and administrative expenses	815,745	776,711	39,034	5.0
% of Total revenue	**5.6%**	**5.6%**		
Depreciation and amortization	1,077,936	1,054,026	23,910	2.3
Impairment of long-lived assets		437,575	(437,575)	*
Total costs and expenses	12,818,936	12,556,686	262,250	2.1
Operating income (loss)	1,824,451	1,348,179	476,272	35.3
Other Income (Expense):				
Interest income	61,841	148,865	(87,024)	(58.5)
Interest expense, net of amounts capitalized	(611,209)	(744,985)	133,776	18.0
Other, net	(69,341)	384,856	(454,197)	*
Total other income (expense)	(618,709)	(211,264)	(407,445)	*
Income (loss) before income taxes	1,205,742	1,136,915	68,827	6.1
Income tax (provision) benefit, net	(276,840)	(299,826)	22,986	7.7
Effective tax rate	**23.0%**	**26.4%**		
Income (loss) from continuing operations	928,902	837,089	91,813	11.0
Income (loss) from discontinued operations, net of tax		(47,343)	47,343	*
Net income (loss)	928,902	789,746	139,156	17.6
Less: Net income (loss) attributable to noncontrolling interests	(15,791)	(17,746)	1,955	11.0
Net income (loss) attributable to DISH Network	$ 944,693	$ 807,492	$ 137,201	17.0

Other Data:							
Pay-TV subscribers, as of period end (in millions)		13.978		14.057		(0.079)	(0.6)
Pay-TV subscriber additions, gross (in millions)		2.601		2.666		(0.065)	(2.4)
Pay-TV subscriber additions, net (in millions)		(0.079)		0.001		(0.080)	*
Pay-TV average monthly subscriber churn rate		1.59%		1.58%		0.01%	0.6
Pay-TV average subscriber acquisition cost per subscriber (Pay-TV SAC)	$	853	$	866	$	(13)	(1.5)
Pay-TV average monthly revenue per subscriber (Pay-TV ARPU)	$	83.77	$	80.37	$	3.40	4.2
Broadband subscribers, as of period end (in millions)		0.577		0.436		0.141	32.3
Broadband subscriber additions, gross (in millions)		0.295		0.343		(0.048)	(14.0)
Broadband subscriber additions, net (in millions)		0.141		0.253		(0.112)	(44.3)
Adjusted EBITDA	$	2,848,837	$	2,804,807	$	44,030	1.6

* Percentage is not meaningful.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Pay-TV subscribers. DISH lost approximately 79,000 net Pay-TV subscribers during the year ended December 31, 2014, compared to the addition of approximately 1,000 net Pay-TV subscribers during the same period in 2013. The decrease in net Pay-TV subscriber additions versus the same period in 2013 primarily resulted from lower gross new Pay-TV subscriber activations and programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers.

During the year ended December 31, 2014, DISH activated approximately 2.601 million gross new Pay-TV subscribers compared to approximately 2.666 million gross new Pay-TV subscribers during the same period in 2013, a decrease of 2.4%. Our gross new Pay-TV subscriber activations during 2014 were negatively impacted by programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers. 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 Pay-TV churn rate for the year ended December 31, 2014 was 1.59% compared to 1.58% for the same period in 2013. 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, programming interruptions in connection with the scheduled expiration of certain programming carriage contracts with several content providers, our ability to control piracy and other forms of fraud, and the level of our 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 gained approximately 141,000 net Broadband subscribers during the year ended December 31, 2014 compared to the addition of approximately 253,000 net Broadband subscribers during the same period in 2013. This decrease in net Broadband subscriber additions versus the same period in 2013 resulted from lower gross new Broadband subscriber activations and a higher number of customer disconnects. During the years ended December 31, 2014 and 2013, DISH activated approximately 295,000 and 343,000 gross new Broadband subscribers, respectively. Gross new Broadband subscriber activations declined primarily due to stricter credit policies and satellite capacity constraints in certain geographic areas. Customer disconnects were higher due to a larger Broadband subscriber base during the year ended December 31, 2014 compared to the same period in 2013.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Subscriber-related revenue. Subscriber-related revenue totaled $14.495 billion for the year ended December 31, 2014, an increase of $730 million or 5.3% compared to the same period in 2013. The change in Subscriber-related revenue from the same period in 2013 was primarily related to the increase in Pay-TV ARPU discussed below and increased revenue from broadband services. Included in Subscriber-related revenue was $376 million and $221 million of revenue related to our broadband services for the years ended December 31, 2014 and 2013, respectively, representing 2.6% and 1.6% of our total Subscriber-related revenue, respectively.

Pay-TV ARPU. Pay-TV ARPU was $83.77 during the year ended December 31, 2014 versus $80.37 during the same period in 2013. The $3.40 or 4.2% increase in Pay-TV ARPU was primarily attributable to the programming package price increases in February 2014 and 2013 and higher hardware related revenue, partially offset by a shift in programming package mix.

Subscriber-related expenses. Subscriber-related expenses totaled $8.313 billion during the year ended December 31, 2014, an increase of $495 million or 6.3% compared to the same period in 2013. 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, partially offset by a one-time reduction in programming related expense. 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 $242 million and $143 million of expense related to our broadband services for the years ended December 31, 2014 and 2013, respectively. Subscriber-related expenses represented 57.4% and 56.8% of Subscriber-related revenue during the years ended December 31, 2014 and 2013, 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 $693 million during the year ended December 31, 2014, an increase of $158 million or 29.4% compared to the same period in 2013. 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 20 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion.

Subscriber acquisition costs. Subscriber acquisition costs totaled $1.811 billion for the year ended December 31, 2014, a decrease of $32 million or 1.7% compared to the same period in 2013. 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 $136 million and $154 million of expenses related to our broadband services for the years ended December 31, 2014 and 2013, respectively.

Pay-TV SAC. Pay-TV SAC was $853 during the year ended December 31, 2014 compared to $866 during the same period in 2013, a decrease of $13 or 1.5%. 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 years ended December 31, 2014 and 2013, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled $543 million and $621 million, respectively. This decrease in capital expenditures under our lease program for new Pay-TV subscribers primarily resulted from a decrease in hardware costs per activation as discussed above and a decrease in gross new Pay-TV subscriber activations.

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.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the years ended December 31, 2014 and 2013, these amounts totaled $110 million and $135 million, respectively.

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.*

Depreciation and amortization. Depreciation and amortization expense totaled $1.078 billion during the year ended December 31, 2014, a $24 million or 2.3% increase compared to the same period in 2013. During the year ended December 31, 2014, we incurred higher depreciation expense from equipment leased primarily to new and existing subscribers with new Hopper receiver systems, partially offset by a decrease in depreciation expense related to certain satellites transferred to EchoStar as part of the Satellite and Tracking Stock Transaction. The year ended December 31, 2013 was negatively impacted by $53 million of additional depreciation expense as a result of the accelerated depreciable lives of certain assets designed to support the TerreStar MSS business.

Impairment of long-lived assets. Impairment of long-lived assets of $438 million during the year ended December 31, 2013 resulted from an impairment of the T2 and D1 satellites. See Note 8 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

Interest income. Interest income totaled $62 million during the year ended December 31, 2014, a decrease of $87 million or 58.5% compared to the same period in 2013. This decrease principally resulted from lower percentage returns earned on our cash and marketable investment securities during 2014.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled $611 million during the year ended December 31, 2014, a decrease of $134 million or 18.0% compared to the same period in 2013. This decrease was primarily related to an increase in capitalized interest principally associated with our wireless spectrum. The decrease was also driven by a reduction in interest expense as a result of redemptions and repurchases of debt during 2013 and 2014, partially offset by the issuance of debt in November 2014.

Other, net. Other, net expense was $69 million during the year ended December 31, 2014, compared to income of $385 million for the same period in 2013. The year ended December 31, 2014 was negatively impacted by net realized and/or unrealized losses on our marketable investment securities and derivative financial instruments. The year ended December 31, 2013 was positively impacted by net realized and/or unrealized gains on our marketable investment securities and derivative financial instruments.

Adjusted Earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA was $2.849 billion during the year ended December 31, 2014, an increase of $44 million or 1.6% compared to the same period in 2013. Adjusted EBITDA for the year ended December 31, 2013 was negatively impacted by the $438 million impairment charge for the T2 and D1 satellites, partially offset by the positive impact of Other, net income of $385 million. The following table reconciles Adjusted EBITDA to the accompanying financial statements.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

	For the Years Ended December 31,			
		2014		2013
	(In thousands)			
Adjusted EBITDA	$	2,848,837	$	2,804,807
Interest, net		(549,368)		(596,120)
Income tax (provision) benefit, net		(276,840)		(299,826)
Depreciation and amortization		(1,077,936)		(1,054,026)
Income (loss) from continuing operations attributable to DISH Network	$	944,693	$	854,835
Plus: Income (loss) from discontinued operations, net of tax				(47,343)
Net income (loss) attributable to DISH Network	$	944,693	$	807,492

Adjusted 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. Adjusted 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, Adjusted EBITDA measures the amount of income from continuing operations generated each period that could be used to service debt, pay taxes and fund capital expenditures. Adjusted 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 $277 million during the year ended December 31, 2014 compared to $300 million in 2013. This change was primarily attributable to a decrease in our effective tax rate, partially offset by an increase in Income (loss) before income taxes . Our effective tax rate during 2014 was favorably impacted by tax planning strategies related to the tax structure of certain foreign legal entities. Our effective tax rate during the same period in 2013 was favorably impacted by an audit settlement with the IRS related to periods prior to 2009.

Net income (loss) attributable to DISH Network*.* Net income attributable to DISH Network was $945 million during the year ended December 31, 2014, an increase of $137 million compared to $807 million for the same period in 2013. This increase was primarily attributable to the changes in revenue and expenses discussed above.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012.

Statements of Operations Data	For the Years Ended December 31, 2013	2012	Variance Amount	%
		(In thousands)		
Revenue:				
Subscriber-related revenue	$ 13,764,774	$ 13,064,936	$ 699,838	5.4
Equipment sales and other revenue	94,855	98,480	(3,625)	(3.7)
Equipment sales, services and other revenue - EchoStar	45,236	17,918	27,318	*
Total revenue	13,904,865	13,181,334	723,531	5.5
Costs and Expenses:				
Subscriber-related expenses	7,818,061	7,254,458	563,603	7.8
% of Subscriber-related revenue	**56.8%**	**55.5%**		
Satellite and transmission expenses	535,541	466,240	69,301	14.9
% of Subscriber-related revenue	**3.9%**	**3.6%**		
Cost of sales - equipment, services and other	91,902	97,965	(6,063)	(6.2)
Subscriber acquisition costs	1,842,870	1,687,327	155,543	9.2
General and administrative expenses	776,711	722,045	54,666	7.6
% of Total revenue	**5.6%**	**5.5%**		
Litigation expense		730,457	(730,457)	*
Depreciation and amortization	1,054,026	964,484	89,542	9.3
Impairment of long-lived assets	437,575		437,575	*
Total costs and expenses	12,556,686	11,922,976	633,710	5.3
Operating income (loss)	1,348,179	1,258,358	89,821	7.1
Other Income (Expense):				
Interest income	148,865	99,091	49,774	50.2
Interest expense, net of amounts capitalized	(744,985)	(536,236)	(208,749)	(38.9)
Other, net	384,856	173,697	211,159	*
Total other income (expense)	(211,264)	(263,448)	52,184	19.8
Income (loss) before income taxes	1,136,915	994,910	142,005	14.3
Income tax (provision) benefit, net	(299,826)	(331,991)	32,165	9.7
Effective tax rate	**26.4%**	**33.4%**		
Income (loss) from continuing operations	837,089	662,919	174,170	26.3
Income (loss) from discontinued operations, net of tax	(47,343)	(37,179)	(10,164)	(27.3)
Net income (loss)	789,746	625,740	164,006	26.2
Less: Net income (loss) attributable to noncontrolling interests	(17,746)	(10,947)	(6,799)	(62.1)
Net income (loss) attributable to DISH Network	$ 807,492	$ 636,687	$ 170,805	26.8
Other Data:				
Pay-TV subscribers, as of period end (in millions)	14.057	14.056	0.001	0.0
Pay-TV subscriber additions, gross (in millions)	2.666	2.739	(0.073)	(2.7)

Pay-TV subscriber additions, net (in millions)		0.001		0.089		(0.088)	(98.9)
Pay-TV average monthly subscriber churn rate		1.58%		1.57%		0.01%	0.6
Pay-TV average subscriber acquisition cost per subscriber (Pay-TV SAC)	$	866	$	784	$	82	10.5
Pay-TV average monthly revenue per subscriber (Pay-TV ARPU)	$	80.37	$	76.98	$	3.39	4.4
Broadband subscribers, as of period end (in millions)		0.436		0.183		0.253	*
Broadband subscriber additions, gross (in millions)		0.343		0.121		0.222	*
Broadband subscriber additions, net (in millions)		0.253		0.078		0.175	*
Adjusted EBITDA	$	2,804,807	$	2,407,486	$	397,321	16.5

* Percentage is not meaningful.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Pay-TV subscribers. DISH added approximately 1,000 net Pay-TV subscribers during the year ended December 31, 2013, compared to the addition of approximately 89,000 net Pay-TV subscribers during the same period in 2012. The decrease versus the same period in 2012 primarily resulted from lower gross new Pay-TV subscriber activations. During the year ended December 31, 2013, DISH activated approximately 2.666 million gross new Pay-TV subscribers compared to approximately 2.739 million gross new Pay-TV subscribers during the same period in 2012, a decrease of 2.7%. 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 in a mature market. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Our Pay-TV churn rate for the year ended December 31, 2013 was 1.58% compared to 1.57% for the same period in 2012. Our Pay-TV churn rate was negatively impacted in part because we increased our programming package price in the first quarter 2013 and did not during the same period in 2012. Churn 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, programming interruptions driven by contract disputes, and our ability to control piracy and other forms of fraud.

Broadband subscribers. DISH added approximately 253,000 net Broadband subscribers during the year ended December 31, 2013 compared to the addition of approximately 78,000 net Broadband subscribers during the same period in 2012. This increase versus the same period in 2012 primarily resulted from higher gross new Broadband subscriber activations driven by increased advertising associated with the launch of dishNET branded broadband services on September 27, 2012. During the year ended December 31, 2013, DISH activated approximately 343,000 gross new Broadband subscribers compared to the activation of approximately 121,000 gross new Broadband subscribers during the same period in 2012. This increase was driven by increased advertising associated with the launch of dishNET branded broadband services on September 27, 2012. Broadband services revenue was $221 million and $95 million for the years ended December 31, 2013 and 2012, respectively, representing 1.6% and 0.7% of our total Subscriber-related revenue, respectively.

Subscriber-related revenue. Subscriber-related revenue totaled $13.765 billion for the year ended December 31, 2013, an increase of $700 million or 5.4% compared to the same period in 2012. The change in Subscriber-related revenue from the same period in 2012 was primarily related to the increase in Pay-TV ARPU discussed below and revenue from broadband services. Included in Subscriber-related revenue was $221 million and $95 million of revenue related to our broadband services for the years ended December 31, 2013 and 2012, respectively.

Pay-TV ARPU. Pay-TV ARPU was $80.37 during the year ended December 31, 2013 versus $76.98 during the same period in 2012. The $3.39 or 4.4% increase in Pay-TV ARPU was primarily attributable to the programming package price increase in February 2013 and higher hardware related revenue.

Subscriber-related expenses. Subscriber-related expenses totaled $7.818 billion during the year ended December 31, 2013, an increase of $564 million or 7.8% compared to the same period in 2012. 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 $143 million and $51 million of expense related to our broadband services for the years ended December 31, 2013 and 2012, respectively. Subscriber-related expenses represented 56.8% and 55.5% of Subscriber-related revenue

during the years ended December 31, 2013 and 2012, respectively. The change in this expense to revenue ratio primarily resulted from higher pay-TV programming costs, discussed above.

Satellite and transmission expenses. "Satellite and transmission expenses" totaled $536 million during the year ended December 31, 2013, an increase of $69 million or 14.9% compared to the same period in 2012. The increase in "Satellite and transmission expenses" is primarily related to an increase in transponder capacity leased from EchoStar primarily related to the EchoStar XVI satellite, which was launched in November 2012 and QuetzSat-1, which commenced commercial operation at the 77 degree orbital slot in February 2013. This increase was partially

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

offset by a decrease in transponder capacity leased from EchoStar primarily related to the expiration of the EchoStar VI lease in the first quarter 2013.

Subscriber acquisition costs. Subscriber acquisition costs totaled $1.843 billion for the year ended December 31, 2013, an increase of $156 million or 9.2% compared to the same period in 2012. This change was primarily attributable to an increase in expense related to our Broadband subscriber activations and an increase in Pay-TV SAC described below, partially offset by a decrease in gross new Pay-TV subscriber activations. Included in Subscriber acquisition costs was $154 million and $46 million of expenses related to our broadband services for the years ended December 31, 2013 and 2012, respectively.

Pay-TV SAC. Pay-TV SAC was $866 during the year ended December 31, 2013 compared to $784 during the same period in 2012, an increase of $82 or 10.5%. This increase was primarily attributable to increased equipment and advertising costs. Capitalized equipment costs increased primarily due to an increase in the percentage of new subscriber activations with Hopper receiver systems. In addition, the second-generation Hopper set-top box cost per unit is currently higher than the original Hopper set-top box. Advertising costs increased due to brand spending related to the launch of our new second-generation Hopper set-top box in February 2013.

During the years ended December 31, 2013 and 2012, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled $621 million and $506 million, respectively. This increase in capital expenditures under our lease program for new Pay-TV subscribers resulted primarily from the factors described above.

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the years ended December 31, 2013 and 2012, these amounts totaled $135 million and $140 million, respectively.

General and administrative expenses. General and administrative expenses totaled $777 million during the year ended December 31, 2013, a $55 million or 7.6% increase compared to the same period in 2012. This increase was primarily driven by legal and financial advisory fees related to our merger and acquisition activities.

Litigation expense. Litigation expense related to the Voom Settlement Agreement totaled $730 million during the year ended December 31, 2012.

Depreciation and amortization. Depreciation and amortization expense totaled $1.054 billion during the year ended December 31, 2013, a $90 million or 9.3% increase compared to the same period in 2012. This change in Depreciation and amortization expense was primarily due to $53

million of additional depreciation expense as a result of the accelerated depreciable lives of certain assets designed to support the TerreStar MSS business, which ceased operations during the second quarter 2013, and increased depreciation expense from equipment leased to subscribers primarily related to subscriber activations with new Hopper receiver systems. The expense in 2012 was impacted by the $68 million of depreciation expense related to the 148 degree orbital location.

Impairment of long-lived assets. Impairment of long-lived assets of $438 million during the year ended December 31, 2013 resulted from an impairment of the T2 and D1 satellites during the second quarter 2013. See Note 8 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further information.

Interest income. Interest income totaled $149 million during the year ended December 31, 2013, an increase of $50 million compared to the same period in 2012. This increase primarily resulted from higher average cash and marketable investment securities balances and higher percentage returns earned on our cash and marketable investment securities during the year ended December 31, 2013.

Interest expense, net of amounts capitalized. Interest expense, net of amounts capitalized totaled $745 million during year ended December 31, 2013, an increase of $209 million or 38.9% compared to the same period in 2012. This change primarily resulted from an increase in interest expense associated with the issuance of debt during 2013 and 2012 partially offset by the redemption of debt during 2013 and a $30 million increase in capitalized interest in

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

2013. The increase in capitalized interest during 2013 resulted from the March 9, 2012 acquisition of DBSD North America and TerreStar and development of this wireless spectrum.

Other, net. Other, net income totaled $385 million during the year ended December 31, 2013, an increase of $211 million compared to the same period in 2012. This change primarily resulted from net realized and/or unrealized gains of $390 million on our marketable investment securities and derivative financial instruments during 2013 compared to net gains of $122 million in 2012. In addition, the year ended December 31, 2012 was positively impacted by the non-cash gain of $99 million related to the conversion of our DBSD North America 7.5% Convertible Senior Secured Notes due 2009 in connection with the completion of the DBSD Transaction and negatively impact by $49 million in impairment charges.

Adjusted earnings before interest, taxes, depreciation and amortization. Adjusted EBITDA was $2.805 billion during the year ended December 31, 2013, an increase of $397 million or 16.5% compared to the same period in 2012. Adjusted EBITDA for the year ended December 31, 2013 was negatively impacted by the $438 million impairment charge for the T2 and D1 satellites during the second quarter 2013. The year ended December 31, 2012 was negatively impacted by $730 million of Litigation expense related to the Voom Settlement Agreement. The following table reconciles Adjusted EBITDA to the accompanying financial statements.

	For the Years Ended December 31, 2013	2012
	(In thousands)	
Adjusted EBITDA	$ 2,804,807	$ 2,407,486
Interest, net	(596,120)	(437,145)
Income tax (provision) benefit, net	(299,826)	(331,991)
Depreciation and amortization	(1,054,026)	(964,484)
Income (loss) from continuing operations attributable to DISH Network	$ 854,835	$ 673,866
Plus: Income (loss) from discontinued operations, net of tax	(47,343)	(37,179)
Net income (loss) attributable to DISH Network	$ 807,492	$ 636,687

Adjusted EBITDA is not a measure determined in accordance with GAAP and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Adjusted 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, Adjusted EBITDA measures the amount of income from continuing operations generated each period that could be used to service debt, pay taxes and fund capital expenditures. Adjusted 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 $300 million during the year ended December 31, 2013, a decrease of $32 million compared to the same period in 2012. 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 favorably impacted by the $102 million reversal of an uncertain tax position that was resolved during the third quarter 2013.

Net income (loss) attributable to DISH Network. Net income (loss) attributable to DISH Network was $807 million during the year ended December 31, 2013, an increase of $170 million compared to $637 million for the same period in 2012. This increase was primarily attributable to the changes in revenue and expenses discussed above.

Table of Contents

Item 7. 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 Item 7A. Quantitative and Qualitative Disclosures About Market Risk for further discussion regarding our marketable investment securities. As of December 31, 2014, our cash, cash equivalents and current marketable investment securities totaled $9.236 billion compared to $9.739 billion as of December 31, 2013, a decrease of $503 million. This decrease in cash, cash equivalents and current marketable investment securities primarily resulted from the $1.343 billion paid related to the acquisition of the H Block wireless spectrum licenses, $1.320 billion related to AWS-3 auction deposits, capital expenditures of $1.216 billion and $1.1 billion in repurchases and redemption of our long-term debt, partially offset by cash of $2.408 billion generated from continuing operations and $1.992 billion in net proceeds from the issuance of long-term debt.

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 auction designated by the FCC as 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. 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 and SNR Holdco, the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless have made the final payments to the FCC for the AWS-3 licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. 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 Consolidated Financial Statements in this Annual Report on Form 10-K 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.

We have used a substantial portion of our existing cash and marketable investment securities to fund our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities. As a result of, among other things, these non-controlling investments, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all. 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 16 *Commitments and Contingencies Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion.

The following discussion highlights our cash flow activities during the years ended December 31, 2014, 2013 and 2012.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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 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.

During the years ended December 31, 2014, 2013 and 2012, adjusted free cash flow was significantly impacted 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 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 Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Adjusted free cash flow	$ 1,192,270	$ 1,055,698	$ 1,058,384
Add back:			
Purchase of property and equipment	1,215,861	1,253,499	945,334
Net cash flows from operating activities from continuing operations	$ 2,408,131	$ 2,309,197	$ 2,003,718

The increase in adjusted free cash flow from 2013 to 2014 of $137 million primarily resulted from an increase in Net cash flows from operating activities from continuing operations of $99 million and from a decrease in Purchases of property and equipment of $38 million. The decrease in Purchases of property and equipment in 2014 was primarily attributable to a decrease in expenditures for equipment under our lease programs for new and existing Pay-TV and Broadband subscribers, partially offset by an increase in satellite construction and other corporate capital expenditures. The increase in Net cash flows from operating activities from continuing operations was primarily attributable to a $135 million increase in income from continuing operations adjusted to exclude non-cash charges for Deferred tax expense (benefit), Impairment of long-lived assets, Realized and unrealized losses (gains) on investments and Depreciation and amortization expense. This increase was partially offset by a decrease in cash resulting from changes in operating assets and liabilities principally attributable to timing differences between book

expense and cash payments.

The decrease in adjusted free cash flow from 2012 to 2013 of $3 million primarily resulted from an increase in Purchases of property and equipment of $308 million, partially offset by an increase in Net cash flows from operating activities from continuing operations of $305 million. The increase in Purchases of property and equipment in 2013 was primarily attributable to an increase in expenditures for equipment under our lease programs for new and existing Pay-TV and Broadband subscribers and an increase in satellite construction and other corporate capital expenditures. The increase in Net cash flows from operating activities from continuing operations was primarily attributable to a $243 million increase of income from continuing operations adjusted to exclude non-cash charges for Impairment of long-lived assets, Depreciation and amortization expense,

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Deferred tax expense (benefit) and Realized and unrealized losses (gains) on investments. The income from continuing operations in 2012 was negatively impacted by $676 million of payments for the Voom Settlement Agreement. See Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K. In addition, this change was attributable to the increase in cash resulting from changes in operating assets and liabilities principally attributable to timing differences between book expense and tax payments.

Cash flows from operating activities from continuing operations. We typically reinvest the cash flow from operating activities in our business primarily to grow our subscriber base and to expand our infrastructure. For the years ended December 31, 2014, 2013 and 2012, we reported Net cash flows from operating activities from continuing operations of $2.408 billion, $2.309 billion, and $2.004 billion, respectively. See discussion of changes in Net cash flows from operating activities from continuing operations included in Adjusted free cash flow above.

Cash flows from investing activities from continuing operations. Our investing activities generally include purchases and sales of marketable investment securities, acquisitions, strategic investments, including purchases and settlements of derivative financial instruments and purchases of spectrum licenses, and cash used to grow our subscriber base and expand our infrastructure. For the years ended December 31, 2014, 2013 and 2012, we reported Net cash outflows from investing activities from continuing operations of $984 million, $3.035 billion and $3.004 billion, respectively. During the years ended December 31, 2014, 2013 and 2012, capital expenditures for new and existing pay-TV customer equipment totaled $755 million, $852 million and $703 million, respectively. During the years ended December 31, 2014, 2013 and 2012, capital expenditures for new and existing broadband customer equipment totaled $51 million, $77 million and $24 million, respectively, of which $48 million, $74 million and $22 million was for new broadband customer equipment.

The decrease in Net cash outflows from investing activities from continuing operations from 2013 to 2014 of $2.051 billion primarily related to an increase in net sales of marketable investment securities of $4.291 billion, partially offset by purchases of H Block wireless spectrum licenses of $1.343 billion during 2014 compared to $328 million during 2013 and $1.320 billion related to AWS-3 auction deposits.

The increase in Net cash outflows from investing activities from continuing operations from 2012 to 2013 of $31 million primarily related to a decrease in net purchases of marketable investment securities of $568 million, partially offset by an increase in capital expenditures of $308 million and other investing activities. The increase in capital expenditures included $202 million associated with our Pay-TV and Broadband subscriber acquisition and retention lease programs, $56 million for satellites and $50 million of other corporate capital expenditures.

Cash flows from financing activities from continuing operations. Our financing activities generally include net proceeds related to the issuance of long-term debt, cash used for the repurchase, redemption or payment of long-term debt and capital lease obligations, dividends paid on our Class A and Class B common stock and repurchases of our Class A common stock. For the years ended December 31, 2014, 2013 and 2012, we reported Net cash inflows from financing activities from continuing operations of $980 million, $1.852 billion and $4.004 billion, respectively.

The net cash inflows in 2014 primarily resulted from net proceeds of $1.992 billion from the issuance in November 2014 of our 5 7/8% Senior Notes due 2024, partially offset by the repurchases and redemption of our 6 5/8% Senior Notes due 2014 of $1.0 billion and repurchases of our 7

3/4% Senior Notes due 2015 of $100 million in open market trades.

The net cash inflows in 2013 primarily resulted from net proceeds of $2.292 billion from the issuance in April 2013 of our 4 1/4% Senior Notes due 2018 and 5 1/8% Senior Notes dues 2020, partially offset by the repurchases and redemption of our 7% Senior Notes due 2013 of $500 million.

The net cash inflows in 2012 primarily related to the net proceeds of $4.387 billion from the issuance of our 5 7/8% Senior Notes due 2022, our 4 5/8% Senior Notes due 2017 and our 5% Senior Notes due 2023, partially offset by the $453 million dividend paid in cash on our Class A and Class B common stock.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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.

Subscriber Base

DISH lost approximately 79,000 net Pay-TV subscribers during the year ended December 31, 2014, compared to the addition of approximately 1,000 net Pay-TV subscribers during the same period in 2013. The decrease in net Pay-TV subscriber additions versus the same period in 2013 primarily resulted from lower gross new Pay-TV subscriber activations and 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.

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 7. 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

Our Board of Directors previously authorized the repurchase of up to $1.0 billion of our Class A common stock. On October 30, 2014, our Board of Directors extended this authorization such that we are currently authorized to repurchase up to $1.0 billion of outstanding shares of our Class A common stock through and including December 31, 2015. As of December 31, 2014, we may repurchase up to $1.0 billion of our Class A common stock under this plan. During the years ended December 31, 2014, 2013 and 2012, there were no repurchases of our Class A common stock.

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.

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 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 Annual Report on Form 10-K, 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

Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2014, future maturities of our long-term debt, capital lease and contractual obligations are summarized as follows:

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

	Payments due by period						
	Total	2015	2016	2017 (In thousands)	2018	2019	Thereafter
Long-term debt obligations	$ 14,284,085	$ 653,089	$ 1,503,152	$ 903,169	$ 1,203,235	$ 1,403,305	$ 8,618,135
Capital lease obligations	194,914	28,378	30,893	32,993	36,175	19,503	46,972
Interest expense on long-term debt and capital lease obligations	5,057,786	851,661	772,290	716,327	646,445	618,716	1,452,347
Satellite-related obligations	2,413,176	502,197	362,527	336,576	327,246	301,106	583,524
Operating lease obligations	164,843	44,091	38,996	20,613	11,667	6,702	42,774
Purchase obligations	2,442,056	1,700,720	323,214	158,007	126,609	111,614	21,892
Total	$ 24,556,860	$ 3,780,136	$ 3,031,072	$ 2,167,685	$ 2,351,377	$ 2,460,946	$ 10,765,644

In certain circumstances the dates on which we are obligated to make these payments could be delayed. These amounts will increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

The table above does not include $208 million of liabilities associated with unrecognized tax benefits that were accrued, as discussed in Note 12 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K, and are included on our Consolidated Balance Sheets as of December 31, 2014. We do not expect any portion of this amount to be paid or settled within the next twelve months.

Other than the Guarantees disclosed in Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K, we generally do not engage in off-balance sheet financing activities.

The table above does not include our total equity and debt investments of $8.879 billion in Northstar Entities and the SNR Entities during the first quarter 2015, discussed below.

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 16 *Commitments and Contingencies Wireless*

Spectrum in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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 auction designated by the FCC as 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. 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 and SNR Holdco, the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless have made the final payments to the FCC for the AWS-3 licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. Under the applicable accounting guidance in ASC 810, Northstar Spectrum and SNR Holdco are considered variable interest

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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 Consolidated Financial Statements in this Annual Report on Form 10-K 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.

See Note 16 *Commitments and Contingencies* *Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion.

Satellite Insurance

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. We generally do not use commercial insurance to mitigate the potential financial impact of launch or in-orbit failures because we believe that the cost of insurance premiums is uneconomical relative to the risk of such failures. We lease substantially all of our satellite capacity from third parties, including the vast majority of our transponder capacity from EchoStar, and we do not carry commercial insurance on any of the satellites that we lease from them. 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 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.

Purchase Obligations

Our 2015 purchase obligations primarily consist of binding purchase orders for receiver systems and related equipment, broadband equipment, digital broadcast operations, engineering services, and products and services related to the operation of our DISH branded pay-TV service. Our purchase obligations also include certain fixed contractual commitments to purchase programming content. Our purchase obligations can fluctuate significantly from period to period due to, among other things, management s control of inventory levels, and can materially impact our future operating asset and liability balances, and our future working capital requirements.

Programming Contracts

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 subscribers to whom we provide the respective content. These programming commitments are not included in the Contractual obligations and off-balance sheet arrangements table above. The terms of our contracts typically range from one to ten years with annual rate increases. Our programming expenses will continue to increase to the extent we are successful growing our subscriber base. In addition, our margins may face further downward pressure from price increases and the renewal of long term programming contracts on less favorable pricing terms.

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

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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.

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 16 *Commitments and Contingencies Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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 auction designated by the FCC as 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. 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 and SNR Holdco, the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless have made the final payments to the FCC for the AWS-3 licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. 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 Consolidated Financial Statements in this Annual Report on Form 10-K 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

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

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.

We have used a substantial portion of our existing cash and marketable investment securities to fund our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities. As a result of, among other things, these non-controlling investments, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all. 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 16 *Commitments and Contingencies Wireless Spectrum* in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K 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.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect amounts reported therein. Management bases its estimates, judgments and assumptions on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from previously estimated amounts, and such differences may be material to the Consolidated Financial Statements. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur. The following represent what we believe are the critical accounting policies that may involve a high degree of estimation, judgment and complexity. For a summary of our significant accounting policies, including those discussed below, see Note 2 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K.

- ***Capitalized premise equipment***. Since we retain ownership of certain equipment provided pursuant to our subscriber equipment lease programs for Pay-TV and Broadband subscribers, we capitalize and depreciate equipment costs that would otherwise be expensed at the time of sale. Such capitalized costs are depreciated over the estimated useful life of the equipment, which is based on, among other things, management s judgment of the risk of technological obsolescence. Because of the inherent difficulty of making this estimate, the estimated

useful life of capitalized equipment may change based on, among other things, historical experience and changes in technology as well as our response to competitive conditions. Changes in estimated useful life may impact Depreciation and amortization on our Consolidated Statements of Operations and Comprehensive Income (Loss). For example, if we had decreased the estimated useful life of our capitalized subscriber equipment by one year, annual 2014 depreciation expense would have increased by approximately $117 million.

- ***Accounting for investments in private and publicly-traded securities***. We hold debt and equity interests in companies, some of which are publicly traded and have highly volatile prices. We record an investment impairment charge in Other, net within Other Income (Expense) on our Consolidated Statements of Operations and Comprehensive Income (Loss) when we believe an investment has experienced a decline in value that is judged to be other-than-temporary. We monitor our investments for impairment by considering current factors including economic environment, market conditions and the operational performance and other specific factors relating to the business underlying the investment. Future adverse changes in these factors could result in losses or an inability to recover the carrying value of the investments that may not be reflected in an investment s current carrying value, thereby possibly requiring an impairment charge in the future.

- ***Fair value of financial instruments***. Fair value estimates of our financial instruments are made at a point in time, based on relevant market data as well as the best information available about the financial

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

instrument. Economic weakness and uncertainty has resulted in inactive markets for certain of our financial instruments, including our Auction Rate Securities (ARS) and other investment securities. For certain of these instruments, there is no or limited observable market data. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and may be a less precise measurement of fair value as compared to financial instruments where observable market data is available. We make certain assumptions related to expected maturity date, credit and interest rate risk based upon market conditions and prior experience. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including liquidity risks, and estimates of future cash flows, could significantly affect these fair value estimates, which could have a material adverse impact on our financial condition and results of operations. For example, as of December 31, 2014, we held $142 million of securities that lack observable market quotes, and a 10% decrease in our estimated fair value of these securities would result in a decrease of the reported amount by approximately $14 million.

- ***Valuation of long-lived assets***. We evaluate the carrying value of long-lived assets to be held and used, other than goodwill and intangible assets with indefinite lives, when events and circumstances warrant such a review. We evaluate our DBS satellite fleet for recoverability as one asset group. See Note 2 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K. The carrying value of a long-lived asset or asset group is considered impaired when the anticipated undiscounted cash flows from such asset or asset group is less than its carrying value. In that event, a loss will be recorded in Impairments of long-lived assets on our Consolidated Statements of Operations and Comprehensive Income (Loss) based on the amount by which the carrying value exceeds the fair value of the long-lived asset or asset group. Fair value is determined primarily using the estimated cash flows associated with the asset or asset group under review, discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of by sale are determined in a similar manner, except that fair values are reduced for estimated selling costs. Among other reasons, changes in estimates of future cash flows could result in a write-down of the asset in a future period.

- ***Valuation of intangible assets with indefinite lives***. We evaluate the carrying value of intangible assets with indefinite lives annually, and also when events and circumstances warrant. We use estimates of fair value to determine the amount of impairment, if any, of recorded intangible assets with indefinite lives. Fair value is determined using the estimated future cash flows, discounted at a rate commensurate with the risk involved or the market approach. While our impairment tests in 2014 indicated the fair value of our intangible assets exceeded their carrying amounts, significant changes in our estimates of future cash flows or market data could result in a write-down of intangible assets with indefinite lives in a future period, which will be recorded in a line item entitled Impairments of long-lived assets, on our Consolidated Statements of Operations and Comprehensive Income (Loss) and could be material to our consolidated results of operations and financial condition. Based on the methodology utilized to test for impairment a 10% decrease in the estimated future cash flows or market value of comparable assets and/or, a 10% increase in the discount rate used in estimating the fair value of these assets (while all other assumptions remain unchanged) would not result in these assets being impaired.

- ***Income taxes***. Our income tax policy is to record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss and tax credit carryforwards. Determining necessary valuation allowances requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. We periodically evaluate our need for a valuation allowance based on both historical evidence, including trends, and future expectations in each reporting period. Any such valuation allowance is recorded in either Income tax (provision) benefit, net on our Consolidated Statements of Operations and Comprehensive Income (Loss) or Accumulated other comprehensive income (loss) within Stockholders equity (deficit) on our Consolidated Balance Sheets. Future performance could have a significant effect on the realization of tax benefits, or reversals of valuation allowances, as reported in our consolidated results of

operations.

Table of Contents

Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

- ***Uncertainty in tax positions***. Management evaluates the recognition and measurement of uncertain tax positions based on applicable tax law, regulations, case law, administrative rulings and pronouncements and the facts and circumstances surrounding the tax position. Changes in our estimates related to the recognition and measurement of the amount recorded for uncertain tax positions could result in significant changes in our Income tax provision (benefit), net, which could be material to our consolidated results of operations.

- ***Contingent liabilities***. A significant amount of management judgment is required in determining when, or if, an accrual should be recorded for a contingency and the amount of such accrual. Estimates generally are developed in consultation with counsel and are based on an analysis of potential outcomes. Due to the uncertainty of determining the likelihood of a future event occurring and the potential financial statement impact of such an event, it is possible that upon further development or resolution of a contingent matter, a charge could be recorded in a future period to General and administrative expenses or Litigation expense on our Consolidated Statements of Operations and Comprehensive Income (Loss) that would be material to our consolidated results of operations and financial condition.

- ***Business combinations.*** When we acquire a business, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component using various valuation techniques, including the market approach, income approach and/or cost approach. The accounting standard for business combinations requires most identifiable assets, liabilities, noncontrolling interests and goodwill acquired to be recorded at estimated fair value. Determining the fair value of assets acquired and liabilities assumed requires management s judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to the estimated future cash flows, discounted at a rate commensurate with the risk involved or the market approach.

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.

Inflation

Inflation has not materially affected our operations during the past three years. We believe that our ability to increase the prices charged for our products and services in future periods will depend primarily on competitive pressures.

Backlog

We do not have any material backlog of our products.

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. 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.

Table of Contents

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated With Financial Instruments

Our investments and debt are exposed to market risks, discussed below.

Cash, Cash Equivalents and Current Marketable Investment Securities

As of December 31, 2014, our cash, cash equivalents and current marketable investment securities had a fair value of $9.236 billion. Of that amount, a total of $8.525 billion was invested in: (a) cash; (b) VRDNs convertible into cash at par value plus accrued interest generally in five business days or less; (c) debt instruments of the United States Government and its agencies; (d) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and/or (e) instruments with similar risk, duration and credit quality characteristics to the commercial paper and corporate obligations described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to, among other things, fund operations, make strategic investments and expand the business. Consequently, the size of this portfolio fluctuates significantly as cash is received and used in our business. The value of this portfolio is negatively impacted by credit losses; however, this risk is mitigated through diversification that limits our exposure to any one issuer.

Interest Rate Risk

A change in interest rates would affect the fair value of our cash, cash equivalents and current marketable investment securities portfolio; however, we normally hold these investments to maturity. Based on our December 31, 2014 current non-strategic investment portfolio of $8.525 billion, a hypothetical 10% change in average interest rates would not have a material impact on the fair value due to the limited duration of our investments.

Our cash, cash equivalents and current marketable investment securities had an average annual rate of return for the year ended December 31, 2014 of 0.5%. A change in interest rates would affect our future annual interest income from this portfolio, since funds would be re-invested at different rates as the instruments mature. A hypothetical 10% decrease in average interest rates during 2014 would result in a decrease of approximately $4 million in annual interest income.

Strategic Marketable Investment Securities

As of December 31, 2014, we held strategic and financial debt and equity investments in public companies with a fair value of $711 million for strategic and financial purposes, which are highly speculative and have experienced and continue to experience volatility. As of December 31,

2014, 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.

The fair value of our strategic and financial debt and equity investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. In general, the debt instruments held in our strategic marketable investment securities portfolio are not significantly impacted by interest rate fluctuations as their value is more closely related to factors specific to the underlying business. A hypothetical 10% adverse change in the price of our public strategic debt and equity investments would result in a decrease of approximately $71 million in the fair value of these investments.

Table of Contents

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - Continued

Restricted Cash and Marketable Investment Securities and Noncurrent Marketable and Other Investment Securities

Restricted Cash and Marketable Investment Securities

As of December 31, 2014, we had $87 million of restricted cash and marketable investment securities invested in: (a) cash; (b) VRDNs convertible into cash at par value plus accrued interest generally in five business days or less; (c) debt instruments of the United States Government and its agencies; (d) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and/or (e) instruments with similar risk, duration and credit quality characteristics to the commercial paper described above. Based on our December 31, 2014 investment portfolio, a hypothetical 10% increase in average interest rates would not have a material impact in the fair value of our restricted cash and marketable investment securities.

Long-Term Debt

As of December 31, 2014, we had long-term debt of $14.284 billion, excluding capital lease obligations and unamortized discounts, on our Consolidated Balance Sheets. We estimated the fair value of this debt to be approximately $14.850 billion using quoted market prices for our publicly traded debt, which constitutes approximately 99% of our debt. The fair value of our debt is affected by fluctuations in interest rates. A hypothetical 10% decrease in assumed interest rates would increase the fair value of our debt by approximately $350 million. To the extent interest rates increase, our costs of financing would increase at such time as we are required to refinance our debt or raise additional debt. As of December 31, 2014, all of our long-term debt consisted of fixed rate indebtedness.

Derivative Financial Instruments

From time to time, we invest in speculative financial instruments, including derivatives. As of December 31, 2014, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of $383 million. The fair value of the derivative financial instruments is dependent on the trading price of the indexed common equity which may be volatile and vary depending on, among other things, the issuer s financial and operational performance and market conditions. A hypothetical 10% adverse change in the market value of the underlying common equity securities would result in a decrease of approximately $38 million in the fair value of these investments.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements are included in this Annual Report on Form 10-K beginning on page F-1.

Our selected quarterly financial data for each of the quarterly periods ended March 31, June 30, September 30 and December 31 for 2014 and 2013 is included in Note 19 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Table of Contents

Item 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 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.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;

(ii) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Annual Report on Form 10-K.

Item 9B. OTHER INFORMATION

None

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be set forth in our Proxy Statement for the 2015 Annual Meeting of Shareholders, which information is hereby incorporated herein by reference.

The information required by this Item with respect to the identity and business experience of our executive officers is set forth on page 24 of this Annual Report on Form 10-K under the caption Executive Officers of the Registrant.

Item 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in our Proxy Statement for the 2015 Annual Meeting of Shareholders, which information is hereby incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth in our Proxy Statement for the 2015 Annual Meeting of Shareholders, which information is hereby incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in our Proxy Statement for the 2015 Annual Meeting of Shareholders, which information is hereby incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be set forth in our Proxy Statement for the 2015 Annual Meeting of Shareholders, which information is hereby incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) *Financial Statements*

	Page
Report of KPMG LLP, Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets at December 31, 2014 and 2013	F-3
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2014, 2013 and 2012	F-4
Consolidated Statements of Changes in Stockholders Equity (Deficit) for the years ended December 31, 2012, 2013 and 2014	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012	F-6
Notes to Consolidated Financial Statements	F-7

(2) *Financial Statement Schedules*

None. All schedules have been included in the Consolidated Financial Statements or Notes thereto.

(3) *Exhibits*

3.1(a)* Amended and Restated Articles of Incorporation of DISH Network Corporation (incorporated by reference to Exhibit 3.1(a) on the Quarterly Report on Form 10-Q of DISH Network Corporation for

Table of Contents

	the quarter ended June 30, 2003, Commission File No. 0-26176), as amended by the Certificate of Amendment to the Articles of Incorporation of DISH Network Corporation (incorporated by reference to Annex 1 on DISH Network Corporation s Definitive Information Statement on Schedule 14C filed on December 31, 2007, Commission File No. 0-26176).
3.1(b)*	Amended and Restated Bylaws of DISH Network Corporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2014, Commission File No. 0-26176).
3.2(a)*	Articles of Incorporation of DISH DBS Corporation (incorporated by reference to Exhibit 3.4(a) to the Registration Statement on Form S-4 of DISH DBS Corporation, Registration No. 333-31929), as amended by the Certificate of Amendment of the Articles of Incorporation of DISH DBS Corporation, dated as of August 25, 2003 (incorporated by reference to Exhibit 3.1(b) to the Annual Report on Form 10-K of DISH DBS Corporation for the year ended December 31, 2003, Commission File No. 333-31929), and as further amended by the Amendment of the Articles of Incorporation of DISH DBS Corporation, effective December 12, 2008 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K of DISH DBS Corporation filed December 12, 2008, Registration No. 333-31929).
3.2(b)*	Bylaws of DISH DBS Corporation (incorporated by reference to Exhibit 3.4(b) to the Registration Statement on Form S-4 of DISH DBS Corporation, Registration No. 333-31929).
4.1*	Registration Rights Agreement by and between DISH Network Corporation and Charles W. Ergen (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-1 of DISH Network Corporation, Registration No. 33-91276).
4.2*	Indenture, relating to the 7 3/4% Senior Notes Due 2015, dated as of May 27, 2008 between DISH DBS Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed May 28, 2008, Commission File No. 0-26176).
4.3*	Indenture, relating to the 7 1/8% Senior Notes Due 2016, dated as of February 2, 2006 between DISH DBS Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed February 3, 2006, Commission File No. 0-26176).
4.4*	Indenture, relating to the 4 5/8% Senior Notes due 2017, dated as of May 16, 2012 among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed May 16, 2012, Commission File No. 0-26176).
4.5*	Indenture, relating to the 4.250% Senior Notes due 2018, dated as of April 5, 2013, among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of DISH Network Corporation filed April 5, 2013, Commission File No. 0-26176).
4.6*	Indenture, relating to the 7 7/8% Senior Notes Due 2019, dated as of August 17, 2009 between DISH DBS Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed August 18, 2009, Commission File No. 0-26176).
4.7*	Indenture, relating to the 5.125% Senior Notes due 2020, dated as of April 5, 2013, among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed April 5, 2013, Commission File No. 0-26176).

Table of Contents

4.8*	Indenture, relating to the 6.75% Senior Notes due 2021, dated as of May 5, 2011, among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed May 5, 2011, Commission File No. 000-26176).
4.9*	Indenture, relating to the 5 7/8% Senior Notes due 2022, dated as of May 16, 2012 among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of DISH Network Corporation filed May 16, 2012, Commission File No. 0-26176).
4.10*	Indenture, relating to the 5% Senior Notes due 2023, dated as of December 27, 2012 among DISH DBS Corporation, the guarantors named on the signature pages thereto and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed December 27, 2012, Commission File No. 0-26176).
4.11*	Indenture, relating to the 5 7/8% Senior Notes due 2024, dated as of November 20, 2014 among DISH DBS Corporation, the guarantors named on the signature pages thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of DISH Network Corporation filed November 21, 2014, Commission File No. 0-26176).
4.12*	Registration Rights Agreement, relating to the 5 7/8% Senior Notes due 2024, dated as of November 20, 2014, among DISH DBS Corporation, the guarantors named on the signature pages thereto and Deutsche Bank Securities Inc. (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K of DISH Network Corporation filed November 21, 2014, Commission File No. 0-26176).
10.1*	2002 Class B CEO Stock Option Plan (incorporated by reference to Appendix A to DISH Network Corporation s Definitive Proxy Statement on Schedule 14A dated April 9, 2002).**
10.2*	Satellite Service Agreement, dated as of March 21, 2003, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2003, Commission File No. 0-26176).***
10.3*	Amendment No. 1 to Satellite Service Agreement dated March 31, 2003 between SES Americom Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2003, Commission File No. 0-26176). ***
10.4*	Satellite Service Agreement dated as of August 13, 2003 between SES Americom Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2003, Commission File No. 0-26176). ***
10.5*	Satellite Service Agreement, dated February 19, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176). ***
10.6*	Amendment No. 1 to Satellite Service Agreement, dated March 10, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176). ***

Table of Contents

10.7*	Amendment No. 3 to Satellite Service Agreement, dated February 19, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176). ***
10.8*	Whole RF Channel Service Agreement, dated February 4, 2004, between Telesat Canada and DISH Network Corporation (incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176). ***
10.9*	Letter Amendment to Whole RF Channel Service Agreement, dated March 25, 2004, between Telesat Canada and DISH Network Corporation (incorporated by reference to Exhibit 10.5 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176). ***
10.10*	Amendment No. 2 to Satellite Service Agreement, dated April 30, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2004, Commission File No. 0-26176). ***
10.11*	Second Amendment to Whole RF Channel Service Agreement, dated May 5, 2004, between Telesat Canada and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2004, Commission File No. 0-26176). ***
10.12*	Third Amendment to Whole RF Channel Service Agreement, dated October 12, 2004, between Telesat Canada and DISH Network Corporation (incorporated by reference to Exhibit 10.22 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176). ***
10.13*	Amendment No. 4 to Satellite Service Agreement, dated October 21, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176). ***
10.14*	Amendment No. 3 to Satellite Service Agreement, dated November 19, 2004 between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176). ***
10.15*	Amendment No. 5 to Satellite Service Agreement, dated November 19, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176). ***
10.16*	Amendment No. 6 to Satellite Service Agreement, dated December 20, 2004, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176). ***
10.17*	Description of the 2005 Long-Term Incentive Plan dated January 26, 2005 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2005, Commission File No. 0-26176).**
10.18*	Amendment No. 4 to Satellite Service Agreement, dated April 6, 2005, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2005, Commission File No. 0-26176). ***

Table of Contents

10.19*	Amendment No. 5 to Satellite Service Agreement, dated June 20, 2005, between SES Americom, Inc. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2005, Commission File No. 0-26176). ***
10.20*	Incentive Stock Option Agreement (Form A) (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.21*	Incentive Stock Option Agreement (Form B) (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.22*	Restricted Stock Unit Agreement (Form A) (incorporated by reference to Exhibit 99.3 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.23*	Restricted Stock Unit Agreement (Form B) (incorporated by reference to Exhibit 99.4 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.24*	Incentive Stock Option Agreement (1999 Long-Term Incentive Plan) (incorporated by reference to Exhibit 99.5 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.25*	Nonemployee Director Stock Option Agreement (incorporated by reference to Exhibit 99.6 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.26*	Nonqualifying Stock Option Agreement (2005 Long-Term Incentive Plan) (incorporated by reference to Exhibit 99.7 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.27*	Restricted Stock Unit Agreement (2005 Long-Term Incentive Plan) (incorporated by reference to Exhibit 99.8 to the Current Report on Form 8-K of DISH Network Corporation filed July 7, 2005, Commission File No. 0-26176).**
10.28*	Separation Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 2.1 to the Amendment No. 1 to the Form 10 of EchoStar Corporation filed December 12, 2007, Commission File No. 001-33807).
10.29*	Tax Sharing Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 10.2 to the Amendment No. 1 to the Form 10 of EchoStar Corporation filed December 12, 2007, Commission File No. 001-33807).
10.30*	Employee Matters Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 10.3 to the Amendment No. 1 to the Form 10 of EchoStar Corporation filed December 12, 2007, Commission File No. 001-33807).
10.31*	Intellectual Property Matters Agreement between EchoStar Corporation, EchoStar Acquisition L.L.C., Echosphere L.L.C., DISH DBS Corporation, EIC Spain SL, EchoStar Technologies L.L.C. and DISH Network Corporation (incorporated by reference from Exhibit 10.4 to the Amendment No. 1 to the Form 10 of EchoStar Corporation filed December 12, 2007, Commission File No. 001-33807).
10.32*	Management Services Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 10.5 to the Amendment No. 1 to the Form 10 of EchoStar Corporation filed December 12, 2007, Commission File No. 001-33807).

10.33*	Form of Satellite Capacity Agreement between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference from Exhibit 10.28 to the Amendment No. 2 to Form 10 of EchoStar Corporation filed December 26, 2007, Commission File No. 001-33807).
10.34*	Amendment No. 1 to Receiver Agreement dated December 31, 2007 between EchoSphere L.L.C. and EchoStar Technologies L.L.C. (incorporated by reference to Exhibit 99.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2008, Commission File No. 0-26176).
10.35*	Amendment No. 1 to Broadcast Agreement dated December 31, 2007 between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference to Exhibit 99.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2008, Commission File No. 0-26176).
10.36*	Description of the 2008 Long-Term Incentive Plan dated December 22, 2008 (incorporated by reference to Exhibit 10.42 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2008, Commission File No. 0-26176). **
10.37*	DISH Network Corporation 2009 Stock Incentive Plan (incorporated by reference to Appendix A to DISH Network Corporation s Definitive Proxy Statement on Form 14A filed September 19, 2014, Commission File No. 000-26176). **
10.38*	Amended and Restated DISH Network Corporation 2001 Nonemployee Director Stock Option Plan (incorporated by reference to Appendix B to DISH Network Corporation s Definitive Proxy Statement on Form 14A filed March 31, 2009, Commission File No. 000-26176). **
10.39*	Amended and Restated DISH Network Corporation 1999 Stock Incentive Plan (incorporated by reference to Appendix C to DISH Network Corporation s Definitive Proxy Statement on Form 14A filed March 31, 2009, Commission File No. 000-26176). **
10.40*	Amended and Restated DISH Network Corporation 1995 Stock Incentive Plan (incorporated by reference to Appendix D to DISH Network Corporation s Definitive Proxy Statement on Form 14A filed March 31, 2009, Commission File No. 000-26176). **
10.41*	NIMIQ 5 Whole RF Channel Service Agreement, dated September 15, 2009, between Telesat Canada and EchoStar Corporation (incorporated by reference from Exhibit 10.30 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.42*	NIMIQ 5 Whole RF Channel Service Agreement, dated September 15, 2009, between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference from Exhibit 10.31 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.43*	Professional Services Agreement, dated August 4, 2009, between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 10.3 to the Quarterly Report on Form 10-Q of EchoStar Corporation for the quarter ended September 30, 2009, Commission File No. 001-33807).***
10.44*	Allocation Agreement, dated August 4, 2009, between EchoStar Corporation and DISH Network Corporation (incorporated by reference from Exhibit 10.4 to the Quarterly Report on Form 10-Q of EchoStar Corporation for the quarter ended September 30, 2009, Commission File No. 001-33807).
10.45*	Amendment to Form of Satellite Capacity Agreement (Form A) between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference from Exhibit 10.34 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).

Table of Contents

10.46*	Amendment to Form of Satellite Capacity Agreement (Form B) between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference from Exhibit 10.35 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).
10.47*	EchoStar XVI Satellite Capacity Agreement between EchoStar Satellite Services L.L.C. and DISH Network L.L.C. (incorporated by reference from Exhibit 10.36 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.48*	Assignment of Rights Under Launch Service Contract from EchoStar Corporation to DISH Orbital II L.L.C. (incorporated by reference from Exhibit 10.37 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).
10.49*	Amended and Restated Investment Agreement, dated as of February 24, 2011, and First Amendment to Amended and Restated Investment Agreement, dated as of March 15, 2011, between DISH Network Corporation and DBSD North America, Inc. (incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K of ICO Global Communications (Holdings) Limited filed March 17, 2011, Commission File No. 001-33008).
10.50*	Implementation Agreement, dated as of March 15, 2011, between DISH Network and ICO Global Communications (Holdings) Limited (incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K of ICO Global Communications (Holdings) Limited filed March 17, 2011, Commission File No. 001-33008).
10.51*	Restructuring Support Agreement, dated as of March 15, 2011, between DISH Network and ICO Global Communications (Holdings) Limited (incorporated by reference from Exhibit 10.3 to the Current Report on Form 8-K of ICO Global Communications (Holdings) Limited filed March 17, 2011, Commission File No. 001-33008).
10.52*	Purchase Agreement, dated as of June 14, 2011, by and among TerreStar Networks Inc., TerreStar License Inc., TerreStar National Services Inc., TerreStar Networks Holdings (Canada) Inc., TerreStar Networks (Canada) Inc., 0887729 B.C. Ltd., and Gamma Acquisition L.L.C. and DISH Network Corporation (solely with respect to Section 6.19 thereof) (incorporated by reference from Exhibit 99.1 to the Current Report on Form 8-K of DISH Network Corporation filed June 16, 2011, Commission File No. 000-26176).
10.53*	Cost Allocation Agreement, dated April 29, 2011, between EchoStar and DISH Network (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-Q of EchoStar for the quarter ended June 30, 2011, Commission File No. 001-33807).
10.54*	Settlement and Patent License between TiVo Inc. and DISH Network Corporation and EchoStar Corporation, dated as of April 29, 2011 (incorporated by reference to Exhibit 10.9 to the Quarterly Report on Form 10-Q/A of EchoStar Corporation filed February 21, 2012, Commission File No. 001-33807).***
10.55*	QuetzSat-1 Transponder Service Agreement, dated November 24, 2008, between EchoStar 77 Corporation, a direct wholly-owned subsidiary of EchoStar, and DISH Network L.L.C. (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.56*	Receiver Agreement dated January 1, 2012 between Echosphere L.L.C. and EchoStar Technologies L.L.C. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2012, Commission File No. 0-26176).***

Table of Contents

10.57*	Broadcast Agreement dated January 1, 2012 between EchoStar Broadcasting Corporation and DISH Network L.L.C. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2012, Commission File No. 0-26176).***
10.58*	Confidential Settlement Agreement and Release dated as of October 21, 2012 by and between Voom HD Holdings LLC and CSC Holdings, LLC, on the one hand, and DISH Network L.L.C., on the other hand, and for certain limited purposes, DISH Media Holdings Corporation, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2012, Commission File No. 0-26176).***
10.59*	Description of the 2013 Long-Term Incentive Plan dated November 30, 2012 (incorporated by reference to the Current Report on Form 8-K of DISH Network Corporation filed December 6, 2012, Commission File No. 000-26176).**
10.60*	Amendment to EchoStar XVI Satellite Capacity Agreement between EchoStar Satellite Services L.L.C. and DISH Network L.L.C. dated December 21, 2012 (incorporated by reference to Exhibit 10.62 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2012, Commission File No. 0-26176).***
10.61*	Transaction Agreement, dated February 20, 2014, by and among EchoStar Corporation, Hughes Satellite Systems Corporation, Alpha Company LLC, DISH Network L.L.C., DISH Operating L.L.C. and EchoStar XI Holding L.L.C. (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2014, Commission File No. 0-26176).***
10.62*	Investor Rights Agreement, dated February 20, 2014, by and among EchoStar Corporation, Hughes Satellite Systems Corporation, DISH Operating L.L.C. and DISH Network L.L.C. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2014, Commission File No. 0-26176).***
10.63*	Form of Satellite Capacity Agreement between EchoStar Satellite Operating Corporation and DISH Operating L.L.C. (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2014, Commission File No. 0-26176).***
21o	Subsidiaries of DISH Network Corporation.
23o	Consent of KPMG LLP, Independent Registered Public Accounting Firm.
24o	Power of Attorney authorizing R. Stanton Dodge as signatory for Charles W. Ergen, George R. Brokaw, James DeFranco, Cantey M. Ergen, Steven R. Goodbarn, Charles M. Lillis, Afshin Mohebbi, David K. Moskowitz, Tom A. Ortolf and Carl E. Vogel.
31.1o	Section 302 Certification of Chief Executive Officer.
31.2o	Section 302 Certification of Chief Financial Officer.
32.1o	Section 906 Certification of Chief Executive Officer.
32.2o	Section 906 Certification of Chief Financial Officer.

Table of Contents

101 o	The following materials from the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2014, filed on February 23, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statement of Changes in Stockholders Equity (Deficit), (iv) Consolidated Statements of Cash Flows, and (v) related notes to these financial statements.

---

o Filed herewith.

* Incorporated by reference.

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

*** 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 Section 13 or 15(d) 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/ *Steven E. Swain*
Steven E. Swain
Senior Vice President and Chief Financial Officer

Date: February 23, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ *Joseph P. Clayton* Joseph P. Clayton	President and Chief Executive Officer and Director *(Principal Executive Officer)*	February 23, 2015
/s/ Steven E. Swain Steven E. Swain	Senior Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*	February 23, 2015
* Charles W. Ergen	Chairman	February 23, 2015
* George R. Brokaw	Director	February 23, 2015
* James DeFranco	Director	February 23, 2015
* Cantey M. Ergen	Director	February 23, 2015
* Steven R. Goodbarn	Director	February 23, 2015
* Charles M. Lillis	Director	February 23, 2015
* Afshin Mohebbi	Director	February 23, 2015

* David K. Moskowitz	Director	February 23, 2015
* Tom A. Ortolf	Director	February 23, 2015
* Carl E. Vogel	Director	February 23, 2015

* By: /s/ *R. Stanton Dodge*
R. Stanton Dodge
Attorney-in-Fact

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements:	Page
Report of KPMG LLP, Independent Registered Public Accounting Firm	F 2
Consolidated Balance Sheets at December 31, 2014 and 2013	F 3
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2014, 2013 and 2012	F 4
Consolidated Statements of Changes in Stockholders Equity (Deficit) for the years ended December 31, 2012, 2013 and 2014	F 5
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012	F 6
Notes to Consolidated Financial Statements	F 7

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

DISH Network Corporation:

We have audited the accompanying consolidated balance sheets of DISH Network Corporation and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited DISH Network Corporation s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) . DISH Network Corporation s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DISH Network Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion,

DISH Network Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ KPMG LLP

Denver, Colorado

February 23, 2015

Table of Contents

DISH NETWORK CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

	As of December 31, 2014	As of December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 7,104,496	$ 4,700,022
Marketable investment securities	2,131,745	5,039,382
Trade accounts receivable - other, net of allowance for doubtful accounts of $23,603 and $15,981, respectively	920,103	902,416
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	31,390	55,102
Inventory	493,754	512,707
Deferred tax assets	25,667	129,864
Prepaid income taxes	32,435	118,021
Current assets - discontinued operations		68,239
Derivative financial instruments (Note 2)	383,460	292,507
FCC auction deposits	1,320,000	328,134
Other current assets	134,684	167,052
Total current assets	12,577,734	12,313,446
Noncurrent Assets:		
Restricted cash and marketable investment securities	86,984	94,861
Property and equipment, net	3,773,539	4,097,711
FCC authorizations	4,968,171	3,296,665
Marketable and other investment securities	327,250	151,273
Noncurrent assets - discontinued operations		9,965
Other noncurrent assets, net	373,784	392,509
Total noncurrent assets	9,529,728	8,042,984
Total assets	$ 22,107,462	$ 20,356,430
Liabilities and Stockholders Equity (Deficit)		
Current Liabilities:		
Trade accounts payable - other	$ 165,324	$ 281,932
Trade accounts payable - EchoStar	251,669	355,023
Deferred revenue and other	891,373	843,386
Accrued programming	1,376,130	1,242,129
Accrued interest	227,158	232,734
Other accrued expenses	519,404	512,081
Current liabilities - discontinued operations		49,471
Current portion of long-term debt and capital lease obligations	681,467	1,034,893
Total current liabilities	4,112,525	4,551,649
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	13,782,313	12,596,793
Deferred tax liabilities	1,882,711	1,945,690
Long-term liabilities - discontinued operations		19,804
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	276,281	245,489
Total long-term obligations, net of current portion	15,941,305	14,807,776
Total liabilities	20,053,830	19,359,425

Commitments and Contingencies (Note 16)				
Redeemable noncontrolling interests (Note 2)		41,498		
Stockholders Equity (Deficit):				
Class A common stock, $.01 par value, 1,600,000,000 shares authorized, 279,406,646 and 275,950,537 shares issued, 223,288,386 and 219,832,277 shares outstanding, respectively		2,794		2,760
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		2,678,791		2,588,224
Accumulated other comprehensive income (loss)		174,507		173,872
Accumulated earnings (deficit)		723,992		(220,701)
Treasury stock, at cost		(1,569,459)		(1,569,459)
Total DISH Network stockholders equity (deficit)		2,013,009		977,080
Noncontrolling interests		(875)		19,925
Total stockholders equity (deficit)		2,012,134		997,005
Total liabilities and stockholders equity (deficit)	$	22,107,462	$	20,356,430

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

Table of Contents

DISH NETWORK CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands, except per share amounts)

	For the Years Ended December 31,		
	2014	**2013**	**2012**
Revenue:			
Subscriber-related revenue	$ 14,495,091	$ 13,764,774	$ 13,064,936
Equipment sales and other revenue	85,815	94,855	98,480
Equipment sales, services and other revenue - EchoStar	62,481	45,236	17,918
Total revenue	14,643,387	13,904,865	13,181,334
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):			
Subscriber-related expenses	8,313,046	7,818,061	7,254,458
Satellite and transmission expenses	693,114	535,541	466,240
Cost of sales - equipment, services and other	107,777	91,902	97,965
Subscriber acquisition costs:			
Cost of sales - subscriber promotion subsidies	255,913	281,772	267,133
Other subscriber acquisition costs	988,718	1,093,214	977,437
Subscriber acquisition advertising	566,687	467,884	442,757
Total subscriber acquisition costs	1,811,318	1,842,870	1,687,327
General and administrative expenses	815,745	776,711	722,045
Litigation expense (Note 16)			730,457
Depreciation and amortization (Note 8)	1,077,936	1,054,026	964,484
Impairment of long-lived assets (Note 8)		437,575	
Total costs and expenses	12,818,936	12,556,686	11,922,976
Operating income (loss)	1,824,451	1,348,179	1,258,358
Other Income (Expense):			
Interest income	61,841	148,865	99,091
Interest expense, net of amounts capitalized	(611,209)	(744,985)	(536,236)
Other, net	(69,341)	384,856	173,697
Total other income (expense)	(618,709)	(211,264)	(263,448)
Income (loss) before income taxes	1,205,742	1,136,915	994,910
Income tax (provision) benefit, net	(276,840)	(299,826)	(331,991)
Income (loss) from continuing operations	928,902	837,089	662,919
Income (loss) from discontinued operations, net of tax		(47,343)	(37,179)
Net income (loss)	928,902	789,746	625,740
Less: Income (loss) attributable to noncontrolling interests, net of tax	(15,791)	(17,746)	(10,947)
Net income (loss) attributable to DISH Network	$ 944,693	$ 807,492	$ 636,687
Weighted-average common shares outstanding - Class A and B common stock:			
Basic	460,126	456,044	450,264
Diluted	462,927	459,166	452,899
Earnings per share - Class A and B common stock:			

Basic net income (loss) per share from continuing operations attributable to DISH Network	$	2.05	$	1.87	$	1.49
Basic net income (loss) per share from discontinued operations				(0.10)		(0.08)
Basic net income (loss) per share attributable to DISH Network	$	2.05	$	1.77	$	1.41
Diluted net income (loss) per share from continuing operations attributable to DISH Network	$	2.04	$	1.86	$	1.49
Diluted net income (loss) per share from discontinued operations				(0.10)		(0.08)
Diluted net income (loss) per share attributable to DISH Network	$	2.04	$	1.76	$	1.41
Comprehensive Income (Loss):						
Net income (loss)	$	928,902	$	789,746	$	625,740
Other comprehensive income (loss):						
Foreign currency translation adjustments		3,878		1,155		4,106
Unrealized holding gains (losses) on available-for-sale securities		(11,729)		123,233		265,785
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)		7,050		(148,603)		(150,239)
Deferred income tax (expense) benefit, net		1,436		9,284		(12,892)
Total other comprehensive income (loss), net of tax		635		(14,931)		106,760
Comprehensive income (loss)		929,537		774,815		732,500
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax		(15,791)		(17,746)		(10,947)
Comprehensive income (loss) attributable to DISH Network	$	945,328	$	792,561	$	743,447

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

Table of Contents

DISH NETWORK CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)

(In thousands)

	Class A and B Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Treasury Stock	Noncontrolling Interest	Total	Redeemable Noncontrolling Interests
Balance, December 31, 2011	$ 5,031	$ 2,274,005	$ 82,043	$ (1,211,990)	$ (1,569,459)	$ 1,367	$ (419,003)	$
Issuance of Class A common stock:								
Exercise of stock awards	50	91,146				46	91,242	
Employee benefits	8	22,272					22,280	
Employee Stock Purchase Plan	1	3,609					3,610	
Non-cash, stock-based compensation		40,719				251	40,970	
Income tax (expense) benefit related to stock awards and other		8,875					8,875	
Change in unrealized holding gains (losses) on available-for-sale securities, net			115,546				115,546	
Deferred income tax (expense) benefit attributable to unrealized gains (losses) on available-for-sale securities			(12,892)				(12,892)	
Foreign currency translation			4,106				4,106	
Cash dividend on Class A and Class B common stock ($1.00 per share)				(452,890)			(452,890)	
Disposition of noncontrolling interest in subsidiary						(668)	(668)	
Assets contributed by EchoStar to Sling TV Holding L.L.C						44,712	44,712	
Net income (loss) attributable to noncontrolling interests						(10,947)	(10,947)	
Net income (loss) attributable to DISH Network				636,687			636,687	
Balance, December 31, 2012	$ 5,090	$ 2,440,626	$ 188,803	$ (1,028,193)	$ (1,569,459)	$ 34,761	$ 71,628	$
Issuance of Class A common stock:								
Exercise of stock awards	46	71,997					72,043	
Employee benefits	7	24,223					24,230	
Employee Stock Purchase Plan	1	4,468					4,469	
		30,628				27	30,655	

Non-cash, stock-based compensation								
Income tax (expense) benefit related to stock awards and other		19,430				1	19,431	
Change in unrealized holding gains (losses) on available-for-sale securities, net			(25,370)				(25,370)	
Deferred income tax (expense) benefit attributable to unrealized gains (losses) on available-for-sale securities			9,284				9,284	
Foreign currency translation			1,155				1,155	
Capital distribution to EchoStar		(3,148)					(3,148)	
Noncontrolling interest recognized with acquisition of a controlling interest in subsidiary						2,882	2,882	
Net income (loss) attributable to noncontrolling interests						(17,746)	(17,746)	
Net income (loss) attributable to DISH Network				807,492			807,492	
Balance, December 31, 2013	$ 5,144	$ 2,588,224	$ 173,872	$ (220,701)	$ (1,569,459)	$ 19,925	$ 997,005	$
Issuance of Class A common stock:								
Exercise of stock awards	29	44,719					44,748	
Employee benefits	4	25,777					25,781	
Employee Stock Purchase Plan	1	6,185					6,186	
Non-cash, stock-based compensation		34,055				71	34,126	27
Income tax (expense) benefit related to stock awards and other		41,707				(691)	41,016	
Change in unrealized holding gains (losses) on available-for-sale securities, net			(4,679)				(4,679)	
Deferred income tax (expense) benefit attributable to unrealized gains (losses) on available-for-sale securities			1,436				1,436	
Foreign currency translation			3,878				3,878	
Capital distribution to EchoStar - Satellite and Tracking Stock Transaction, net of deferred taxes of $31,274		(51,466)					(51,466)	
Sling TV Exchange Agreement with EchoStar:								
Capital distribution to EchoStar, net of deferred taxes of $3,542		(5,845)				(6,118)	(11,963)	
Deemed distribution to EchoStar - initial fair value of redeemable noncontrolling interest, net of deferred taxes of		(14,011)					(14,011)	22,500

$8,489								
Capital contribution from EchoStar - sale of T2 satellite net of deferred taxes of $5,554		9,446					9,446	
Redeemable noncontrolling interest recognized - investment in Northstar Spectrum and SNR Holdco								20,700
Net income (loss) attributable to noncontrolling interests						(14,062)	(14,062)	(1,729)
Net income (loss) attributable to DISH Network				944,693			944,693	
Balance, December 31, 2014	$ 5,178	$ 2,678,791	$ 174,507	$ 723,992	$ (1,569,459)	$ (875)	$ 2,012,134	$ 41,498

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

Table of Contents

DISH NETWORK CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	For the Years Ended December 31,		
	2014	**2013**	**2012**
Cash Flows From Operating Activities:			
Net income (loss)	$ 928,902	$ 789,746	$ 625,740
Less: Income (loss) from discontinued operations, net of tax		(47,343)	(37,179)
Income (loss) from continuing operations	$ 928,902	$ 837,089	$ 662,919
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	1,077,936	1,054,026	964,484
Impairment of long-lived assets		437,575	
Realized and unrealized losses (gains) on investments	60,515	(387,675)	(172,314)
Non-cash, stock-based compensation	34,153	29,730	39,327
Deferred tax expense (benefit)	134,535	126,194	369,224
Other, net	137,544	65,987	8,241
Changes in current assets and current liabilities:			
Trade accounts receivable - other	(17,407)	(69,086)	(64,364)
Allowance for doubtful accounts	8,649	2,147	1,919
Advances (to) from discontinued operations		48,803	(34,075)
Prepaid income taxes	85,586	26,397	(110,608)
Trade accounts receivable - EchoStar	23,712	(28,142)	(2,284)
Inventory	(5,090)	(12,654)	85,321
Other current assets	(2,583)	(71,324)	27,222
Trade accounts payable	(106,808)	35,895	90,303
Trade accounts payable - EchoStar	(103,355)	73,157	54,636
Deferred revenue and other	47,988	3,497	22,425
Accrued programming and other accrued expenses	103,854	137,581	61,342
Net cash flows from operating activities from continuing operations	2,408,131	2,309,197	2,003,718
Net cash flows from operating activities from discontinued operations, net	(30,007)	(36,732)	8,157
Cash Flows From Investing Activities:			
Purchases of marketable investment securities	(4,119,489)	(6,356,136)	(3,971,451)
Sales and maturities of marketable investment securities	7,054,104	4,999,639	2,046,648
Purchases of derivative financial instruments	(149,969)	(805,996)	
Settlement of derivative financial instruments		718,847	
Purchases of property and equipment	(1,215,861)	(1,253,499)	(945,334)
Change in restricted cash and marketable investment securities	7,886	38,782	(2,177)
DBSD North America Transaction, less cash acquired of $5,230			(40,015)
TerreStar Transaction			(36,942)
Purchases of FCC authorizations - H Block wireless spectrum licenses	(1,343,372)	(328,134)	
AWS-3 auction deposits	(1,320,000)		
Other, net	102,777	(48,360)	(54,811)
Net cash flows from investing activities from continuing operations	(983,924)	(3,034,857)	(3,004,082)
Net cash flows from investing activities from discontinued operations, net, including $0, $1,782, and $12,232 of purchases	20,847	13,773	(15,132)

of property and equipment, respectively			
Cash Flows From Financing Activities:			
Proceeds from issuance of long-term debt	2,000,000	2,300,000	4,400,000
Proceeds from issuance of restricted debt		2,600,000	
Redemption of restricted debt		(2,600,000)	
Funding of restricted debt escrow		(2,596,750)	
Release of restricted debt escrow		2,596,771	
Repurchases and redemption of long-term debt	(1,099,999)	(500,000)	
Debt issuance costs	(7,677)	(11,146)	(13,246)
Repayment of long-term debt and capital lease obligations	(31,653)	(37,869)	(36,090)
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	50,934	76,512	94,852
Cash dividend on Class A and Class B common stock			(452,890)
Other	68,662	24,422	11,307
Net cash flows from financing activities from continuing operations	980,267	1,851,940	4,003,933
Net cash flows from financing activities from discontinued operations, net		(435)	(1,449)
Effect of exchange rates on cash and cash equivalents from discontinued operations		156	1,887
Net increase (decrease) in cash and cash equivalents from continuing operations	2,404,474	1,126,280	3,003,569
Cash and cash equivalents, beginning of period from continuing operations	4,700,022	3,573,742	570,173
Cash and cash equivalents, end of period from continuing operations	$ 7,104,496	$ 4,700,022	$ 3,573,742
Net increase (decrease) in cash and cash equivalents from discontinued operations	(9,160)	(23,238)	(6,537)
Cash and cash equivalents, beginning of period from discontinued operations	9,160	32,398	38,935
Cash and cash equivalents, end of period from discontinued operations	$	$ 9,160	$ 32,398

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 13.978 million subscribers in the United States as of December 31, 2014. 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 0.577 million subscribers in the United States as of December 31, 2014. This 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 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 or SNR Wireless 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 have made the final payments to the FCC for the AWS-3 Licenses, our total non-controlling equity and debt investments in these entities and their parent companies, respectively, will be approximately $9.778 billion. As

of December 31, 2014, Northstar Wireless and SNR Wireless had made aggregate refundable upfront payments to the FCC of approximately $920 million for the AWS-3 Auction, at which time our total non-controlling equity and debt investments in these entities and their parent companies, respectively, was approximately $899 million. 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

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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.

See Note 16 in the Notes to our Consolidated Financial Statements in this Annual Report on Form 10-K for further discussion.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

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. Certain prior period amounts have been reclassified to conform to the current period presentation.

Redeemable Noncontrolling Interests

Sling TV. Sling TV Holding L.L.C. (Sling TV, formerly known as DISH Digital Holding L.L.C.) has been consolidated into our financial statements since July 1, 2012. Effective August 1, 2014, EchoStar Corporation (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. 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 and is recorded as Redeemable noncontrolling interest in the mezzanine section of our 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. At such time that we determine the performance goal to be probable, the value of EchoStar s redeemable noncontrolling interest in Sling TV will be adjusted for any change in redemption value above the minimum threshold through Redeemable noncontrolling interest, with the offset recorded in Additional paid-in capital on our Consolidated Balance Sheets. In addition, the operating results of Sling TV attributable to EchoStar are recorded as Redeemable noncontrolling interest in our Consolidated Balance Sheets effective August 1, 2014, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 20 for further discussion on Sling TV and the Exchange Agreement.

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,

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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, is consolidated into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of wireless licenses to Northstar Wireless, 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, under the applicable accounting guidance, 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 Consolidated Balance Sheets. Northstar Manager s 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 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 Northstar Spectrum attributable to Northstar Manager are recorded as Redeemable noncontrolling interest in our Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 16 for further discussion on Northstar Wireless and the AWS-3 Auction.

SNR Wireless. SNR Wireless is a wholly owned subsidiary of SNR Wireless 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, is consolidated into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of wireless licenses to SNR Wireless, 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, under the applicable accounting guidance, 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 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 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 Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 16 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. (the Blockbuster Acquisitions.) As of December 31, 2013, Blockbuster had ceased material operations. The results of Blockbuster are presented for all periods as discontinued operations in our consolidated financial statements. On January 14, 2014, we completed the sale of our Blockbuster operations in Mexico. See Note 10 for additional information regarding our discontinued operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

Cash and Cash Equivalents

We consider all liquid investments purchased with a remaining maturity of 90 days or less at the date of acquisition to be cash equivalents. Cash equivalents as of December 31, 2014 and 2013 may consist of money market funds, government bonds, corporate notes and commercial paper. The cost of these investments approximates their fair value.

Marketable Investment Securities

We currently classify all marketable investment securities as available-for-sale, except for investments accounted for under the fair value method. We adjust the carrying value of our available-for-sale securities to fair value and report the related temporary unrealized gains and losses as a separate component of Accumulated other comprehensive income (loss) within Total stockholders equity (deficit), net of related deferred income tax. Declines in the fair value of a marketable investment security which are determined to be other-than-temporary are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss), thus establishing a new cost basis for such investment. The changes in fair value of all of our marketable investment securities not classified as available for sale are reflected in Other, net in the Consolidated Statements of Operations and Comprehensive Income (Loss).

We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the fair value of these securities are other-than-temporary. This quarterly evaluation consists of reviewing, among other things:

- the fair value of our marketable investment securities compared to the carrying amount,
- the historical volatility of the price of each security, and
- any market and company specific factors related to each security.

Declines in the fair value of debt and equity investments below cost basis are generally accounted for as follows:

Length of Time Investment Has Been In a Continuous Loss Position	**Treatment of the Decline in Value (absent specific factors to the contrary)**
Less than six months	Generally, considered temporary.
Six to nine months	Evaluated on a case by case basis to determine whether any company or market-specific factors exist indicating that such decline is other-than-temporary.
Greater than nine months	Generally, considered other-than-temporary. The decline in value is recorded as a charge to earnings.

Additionally, in situations where the fair value of a debt security is below its carrying amount, we consider the decline to be other-than-temporary and record a charge to earnings if any of the following factors apply:

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

- we have the intent to sell the security,
- it is more likely than not that we will be required to sell the security before maturity or recovery, or
- we do not expect to recover the security s entire amortized cost basis, even if there is no intent to sell the security.

In general, we use the first in, first out method to determine the cost basis on sales of marketable investment securities.

Trade Accounts Receivable

Management estimates the amount of required allowances for the potential non-collectability of accounts receivable based upon past collection experience and consideration of other relevant factors. However, past experience may not be indicative of future collections and therefore additional charges could be incurred in the future to reflect differences between estimated and actual collections.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. The cost of manufactured inventory includes the cost of materials, labor, freight-in, royalties and manufacturing overhead.

Property and Equipment

Property and equipment are stated at amortized cost less impairment losses, if any. The costs of satellites under construction, including interest and certain amounts prepaid under our satellite service agreements, are capitalized during the construction phase, assuming the eventual successful launch and in-orbit operation of the satellite. If a satellite were to fail during launch or while in-orbit, the resultant loss would be charged to expense in the period such loss was incurred. The amount of any such loss would be reduced to the extent of insurance proceeds estimated to be received, if any. Depreciation is recorded on a straight-line basis over useful lives ranging from one to 40 years. Repair and maintenance costs are charged to expense when incurred. Renewals and improvements that add value or extend the asset s useful life are capitalized.

Impairment of Long-Lived Assets

We review our long-lived assets and identifiable finite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For assets which are held and used in operations, the asset would be impaired if the carrying value of the asset (or asset group) exceeded its undiscounted future net cash flows. Once an impairment is determined, the actual impairment recognized is the difference between the carrying value and the fair value as estimated using discounted cash flows. Assets which are to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. We consider relevant cash flow, estimated future operating results, trends and other available information in assessing whether the carrying value of assets are recoverable.

DBS Satellites. We currently evaluate our DBS satellite fleet for impairment as one asset group whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. We do not believe any triggering event has occurred which would indicate impairment as of December 31, 2014.

AWS-4 Satellites. We currently evaluate our AWS-4 satellite fleet for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. During the second quarter 2013, we wrote down the net book value of the T2 and D1 satellites to their fair value and recorded a $438 million impairment charge on our Consolidated Statements of Operations and Comprehensive Income (Loss). We do not believe any

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

further triggering event has occurred which would indicate impairment as of December 31, 2014. See Note 8 for further discussion.

Indefinite Lived Intangible Assets

We do not amortize indefinite lived intangible assets, but test these assets for impairment annually during the fourth quarter or more often if indicators of impairment arise. Intangible assets that have finite lives are amortized over their estimated useful lives and tested for impairment as described above for long-lived assets. Our intangible assets with indefinite lives primarily consist of FCC licenses. Generally, we have determined that our FCC licenses have indefinite useful lives due to the following:

- FCC licenses are a non-depleting asset;
- existing FCC licenses are integral to our business segments and will contribute to cash flows indefinitely;
- replacement DBS satellite applications are generally authorized by the FCC subject to certain conditions, without substantial cost under a stable regulatory, legislative and legal environment;
- maintenance expenditures to obtain future cash flows are not significant;
- FCC licenses are not technologically dependent; and
- we intend to use these assets indefinitely.

DBS FCC Licenses. We combine all of our indefinite lived DBS FCC licenses that we currently utilize or plan to utilize in the future into a single unit of accounting. The analysis encompasses future cash flows from satellites transmitting from such licensed orbital locations, including revenue attributable to programming offerings from such satellites, the direct operating and subscriber acquisition costs related to such programming, and future capital costs for replacement satellites. Projected revenue and cost amounts include projected subscribers. In

conducting our annual impairment test in 2014, we determined that the estimated fair value of the DBS FCC licenses, calculated using a discounted cash flow analysis, exceeded their carrying amounts.

Wireless Spectrum Licenses. In conducting our annual impairment test in 2014 for our 700 MHz, AWS-4 and H Block wireless spectrum licenses, we determined that the estimated fair value of these licenses exceeded their carrying amount. The estimated fair value for the 700 MHz licenses was determined using the market approach and the estimated fair value for the AWS-4 and H Block licenses was determined using a probability weighted analysis considering estimated future cash flows discounted at a rate commensurate with the risk involved and the market approach. Changes in circumstances or market conditions including significant changes in our estimates of future cash flows or available market data could result in a write-down of any of these assets in the future.

Business Combinations

When we acquire a business, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component using various valuation techniques, including the market approach, income approach and/or cost approach. The accounting standard for business combinations requires most identifiable assets, liabilities, noncontrolling interests and goodwill acquired to be recorded at fair value. Transaction costs related to the acquisition of the business are expensed as incurred. Costs associated with the issuance of debt associated with a business combination are capitalized and included as a yield adjustment to the underlying debt s stated rate. Acquired intangible assets other than goodwill are amortized over their estimated useful lives unless the lives are determined to be indefinite. Amortization of these intangible assets are recorded on a straight line basis over an average finite useful life

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

primarily ranging from approximately two to ten years or in relation to the estimated discounted cash flows over the life of the intangible asset.

Other Investment Securities

Generally, we account for our unconsolidated equity investments under either the equity method or cost method of accounting. Because these equity securities are generally not publicly traded, it is not practical to regularly estimate the fair value of the investments; however, these investments are subject to an evaluation for other-than-temporary impairment on a quarterly basis. This quarterly evaluation consists of reviewing, among other things, company business plans, current financial statements and key financial metrics, if available, for factors that may indicate an impairment of our investment. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. The fair value of these equity investments is not estimated unless there are identified changes in circumstances that may indicate an impairment exists and these changes are likely to have a significant adverse effect on the fair value of the investment.

Long-Term Deferred Revenue, Distribution and Carriage Payments

Certain programmers provide us up-front payments. Such amounts are deferred and recognized as reductions to Subscriber-related expenses on a straight-line basis over the relevant remaining contract term (generally up to ten years). The current and long-term portions of these deferred credits are recorded in our Consolidated Balance Sheets in Deferred revenue and other and Long-term deferred revenue, distribution and carriage payments and other long-term liabilities, respectively.

Sales Taxes

We account for sales taxes imposed on our goods and services on a net basis in our Consolidated Statements of Operations and Comprehensive Income (Loss). Since we primarily act as an agent for the governmental authorities, the amount charged to the customer is collected and remitted directly to the appropriate jurisdictional entity.

Income Taxes

We establish a provision for income taxes currently payable or receivable and for income tax amounts deferred to future periods. Deferred tax assets and liabilities are recorded for the estimated future tax effects of differences that exist between the book and tax basis of assets and

liabilities. Deferred tax assets are offset by valuation allowances when we believe it is more likely than not that such net deferred tax assets will not be realized.

Accounting for Uncertainty in Income Taxes

From time to time, we engage in transactions where the tax consequences may be subject to uncertainty. We record a liability when, in management s judgment, a tax filing position does not meet the more likely than not threshold. For tax positions that meet the more likely than not threshold, we may record a liability depending on management s assessment of how the tax position will ultimately be settled. We adjust our estimates periodically for ongoing examinations by and settlements with various taxing authorities, as well as changes in tax laws, regulations and precedent. We classify interest and penalties, if any, associated with our uncertain tax positions as a component of Interest expense, net of amounts capitalized and Other, net, respectively, on our Consolidated Statements of Operations and Comprehensive Income (Loss).

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 December 31, 2014 and 2013, 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 11 for the fair value of our long-term debt.

Deferred Debt Issuance Costs

Costs of issuing debt are generally deferred and amortized to interest expense using the effective interest rate method over the terms of the respective notes. See Note 11.

Revenue Recognition

We recognize revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

Revenue from our pay-TV service is recognized when programming is broadcast to subscribers. We recognize revenue from our broadband services when the service is provided. Payments received from Pay-TV and Broadband subscribers in advance of the broadcast or service period are recorded as Deferred revenue and other in our Consolidated Balance Sheets until earned.

For certain of our promotions, subscribers are charged an upfront fee. A portion of these fees may be deferred and recognized over the estimated subscriber life for new subscribers or the estimated remaining life for existing subscribers ranging from four to five years. Revenue from advertising sales is recognized when the related services are performed.

Subscriber fees for 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 are recognized as revenue as earned. Generally, revenue from equipment sales and equipment upgrades is recognized upon shipment to customers.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Certain of our existing and new subscriber promotions include programming discounts. Programming revenues are recorded as earned at the discounted monthly rate charged to the subscriber.

We offer our customers the opportunity to download movies for a specific viewing period or permanently purchase a movie from our web-site. We recognize revenue when the movie is successfully downloaded by the customer, which, based on our current technology, occurs at the time the customer plays the movie for the first time.

Subscriber-Related Expenses

The cost of television programming distribution rights is generally incurred on a per subscriber basis and various upfront carriage payments are recognized when the related programming is distributed to subscribers. Long-term flat rate programming contracts are charged to expense using the straight-line method over the term of the agreement. The cost of television programming rights to distribute live sporting events for a season or tournament is charged to expense using the straight-line method over the course of the season or tournament.

Subscriber-related expenses in the Consolidated Statements of Operations and Comprehensive Income (Loss) principally include programming expenses, 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 receiver systems, subscriber retention, other variable subscriber expenses and monthly wholesale fees paid to broadband providers. These costs are recognized as the services are performed or as incurred. The cost of broadband services is expensed monthly and generally incurred on a per subscriber basis.

Subscriber Acquisition Costs

Subscriber acquisition costs in our Consolidated Statements of Operations and Comprehensive Income (Loss) consist of costs incurred to acquire new Pay-TV and Broadband subscribers through third parties and our direct sales distribution channel. Subscriber acquisition costs include the following line items from our Consolidated Statements of Operations and Comprehensive Income (Loss):

- *Cost of sales subscriber promotion subsidies* includes the cost of our receiver systems sold to retailers and other distributors of our equipment and receiver systems sold directly by us to subscribers.

- *Other subscriber acquisition costs* includes net costs related to promotional incentives and costs related to installation and other promotional subsidies.

- *Subscriber acquisition advertising* includes advertising and marketing expenses related to the acquisition of new Pay-TV and Broadband subscribers. Advertising costs are expensed as incurred.

We characterize amounts paid to our independent retailers as consideration for equipment installation services and for equipment buydowns (incentives and rebates) as a reduction of revenue. We expense payments for equipment installation services as Other subscriber acquisition costs. Our payments for equipment buydowns represent a partial or complete return of the retailer s purchase price and are, therefore, netted against the proceeds received from the retailer. We report the net cost from our various sales promotions through our independent retailer network as a component of Other subscriber acquisition costs.

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 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 Consolidated Statements of

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Operations and Comprehensive Income (Loss). We currently have not designated any derivative financial instrument for hedge accounting.

As of December 31, 2014 and 2013, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of $383 million and $293 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.

Equipment Lease Programs

Pay-TV subscribers have the choice of leasing or purchasing the satellite receiver and other equipment necessary to receive our pay-TV service. Most of our new Pay-TV subscribers choose to lease equipment and thus we retain title to such equipment. New Broadband subscribers lease the modem and other equipment necessary to receive broadband services. Equipment leased to new and existing Pay-TV and Broadband subscribers is capitalized and depreciated over their estimated useful lives.

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. 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
Income (loss) from continuing operations	$ 928,902	$ 837,089	$ 662,919
Less: Net income (loss) attributable to noncontrolling interests	(15,791)	(17,746)	(10,947)
Income (loss) from continuing operations attributable to DISH Network	944,693	854,835	673,866
Income (loss) from discontinued operations, net of tax		(47,343)	(37,179)
Net income (loss) attributable to DISH Network	$ 944,693	$ 807,492	$ 636,687
Weighted-average common shares outstanding - Class A and B common stock:			
Basic	460,126	456,044	450,264
Dilutive impact of stock awards outstanding	2,801	3,122	2,635
Diluted	462,927	459,166	452,899
Earnings per share - Class A and B common stock:			
Basic net income (loss) per share from continuing operations attributable to DISH Network	$ 2.05	$ 1.87	$ 1.49
Basic net income (loss) per share from discontinued operations		(0.10)	(0.08)
Basic net income (loss) per share attributable to DISH Network	$ 2.05	$ 1.77	$ 1.41
Diluted net income (loss) per share from continuing operations attributable to DISH Network	$ 2.04	$ 1.86	$ 1.49
Diluted net income (loss) per share from discontinued operations		(0.10)	(0.08)
Diluted net income (loss) per share attributable to DISH Network	$ 2.04	$ 1.76	$ 1.41

As of December 31, 2014, 2013 and 2012, there were stock awards to acquire 0.4 million, 0.7 million and 2.5 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.

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 December 31,		
	2014	2013	2012
		(In thousands)	
Performance based options	7,247	7,791	7,929
Restricted Performance Units	1,798	1,943	1,185
Total	9,045	9,734	9,114

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

4. Supplemental Data - Statements of Cash Flows

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

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Cash paid for interest (including capitalized interest)	$ 833,483	$ 880,244	$ 539,070
Cash received for interest	138,529	201,480	92,339
Cash paid for income taxes	160,732	273,597	272,167
Capitalized interest	223,658	136,508	106,323
Employee benefits paid in Class A common stock	25,781	24,230	22,280
Satellites and other assets financed under capital lease obligations	3,462	1,070	5,857
Assets contributed from EchoStar to Sling TV Holding L.L.C.			44,712
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		
Sling TV Exchange Transaction with EchoStar:			
Transfer of property and equipment, net	8,978		
Transfer of investments and intangibles, net	25,097		
Capital distribution to EchoStar, net of deferred taxes of $3,542	5,845		
Deemed distribution to EchoStar- initial fair value of redeemable noncontrolling interest, net of deferred taxes of $8,489	14,011		

5. Other Comprehensive Income (Loss)

The following table presents the tax effect on each component of Other comprehensive income (loss). A full valuation allowance was established against any deferred tax assets that were capital in nature during 2012.

	For the Years Ended December 31,								
		2014			2013			2012	
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
					(In thousands)				
	$ 3,878	$	$ 3,878	$ 1,155	$	$ 1,155	$ 4,106		$ 4,106

Foreign currency translation adjustments									
Unrealized holding gains (losses) on available-for-sale securities	(11,729)	3,600	(8,129)	123,233	(45,094)	78,139	265,785	(96,252)	169,533
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	7,050	(2,164)	4,886	(148,603)	54,378	(94,225)	(150,239)	83,360	(66,879)
Other comprehensive income (loss)	$ (801)	$ 1,436	$ 635	$ (24,215)	$ 9,284	$ (14,931)	$ 119,652	$ (12,892)	$ 106,760

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

Accumulated Other Comprehensive Income (Loss)	Foreign Currency Translation Adjustment	Unrealized / Recognized Gains (Losses)	Total
		(In thousands)	
Balance as of December 31, 2012	$ (5,033)	$ 193,836	$ 188,803
Other comprehensive income (loss) before reclassification	1,155	78,139	79,294
Amounts reclassified from accumulated other comprehensive income (loss)		(94,225)	(94,225)
Balance as of December 31, 2013	$ (3,878)	$ 177,750	$ 173,872
Other comprehensive income (loss) before reclassification	3,878	(8,129)	(4,251)
Amounts reclassified from accumulated other comprehensive income (loss)		4,886	4,886
Balance as of December 31, 2014	$	$ 174,507	$ 174,507

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 December 31, 2014	2013
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - strategic	$ 711,213	$ 534,449
Current marketable investment securities - other	1,420,532	4,504,933
Total current marketable investment securities	2,131,745	5,039,382
Restricted marketable investment securities (1)	76,970	81,371
Noncurrent marketable investment securities - ARS (2)		133,652
Total marketable investment securities	2,208,715	5,254,405
Restricted cash and cash equivalents (1)	10,014	13,490
Other investment securities:		
Investment in EchoStar preferred tracking stock - cost method (2)	228,795	
Investment in HSSC preferred tracking stock - cost method (2)	87,409	
Other investment securities - cost method (2)	11,046	17,621
Total other investment securities	327,250	17,621

Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	$	2,545,979	$	5,285,516

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

(2) As of December 31, 2013, noncurrent marketable investment securities auction rate securities (ARS) and other investment securities are included in Marketable and other investment securities on our Consolidated Balance Sheets. As of December 31, 2014, we reclassified our ARS investment securities to current marketable investment securities - strategic.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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. See Note 2 for further discussion.

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 December 31, 2014, 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.

We have investments in ARS which are classified as available-for-sale securities. We generally recognize the changes in fair value of these securities as a separate component of Accumulated other comprehensive income (loss) within Total stockholders equity (deficit). However, for certain of our ARS, we have elected to recognize the changes in fair value through Other, net within Other Income (Expense) on our Consolidated Statements of Operations and Comprehensive Income (Loss) (the Fair Value Option). Previous events in the credit markets reduced or eliminated liquidity for these securities. As a result, we historically classified these investments as noncurrent assets, as we intended to hold these investments until they recovered or matured. As of the fourth quarter 2014, we intend to sell our investments in our ARS and as a result, as of December 31, 2014, we reclassified these investments to current marketable investment securities-strategic.

The valuation of our ARS and other investment securities investments portfolio is subject to uncertainties that are difficult to estimate. Due to the lack of observable market quotes for identical assets, we utilize analyses that rely on Level 2 and/or Level 3 inputs, as defined in Fair Value Measurements. These inputs include, among other things, observed prices on similar assets as well as our assumptions and estimates related to the counterparty credit quality, default risk underlying the security and overall capital market liquidity. These securities were also compared, when possible, to other observable market data for financial instruments with similar characteristics.

Fair Value Option. As of December 31, 2014, our ARS and other noncurrent marketable investment securities portfolio of $135 million included $93 million of securities accounted for under the Fair Value Option.

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.

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.

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Restricted Cash and Marketable Investment Securities

As of December 31, 2014 and 2013, 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 Marketable and other investment securities on our 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 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 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 Consolidated Balance Sheet. 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 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 December 31, 2014 and 2013, we had accumulated net unrealized gains of $177 million and $181 million, respectively. These amounts, net of related tax effect, were $175 million and $178 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 December 31,							
	2014				2013			
	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	$ 58,254	$ 7	$ (11)	$ (4)	$ 11,015	$	$	
Commercial paper	68,556				465,981			
Corporate securities	1,496,044	72,918	(153)	72,765	4,075,232	83,350	(4,513)	78,837
ARS	134,642	1,293		1,293	133,652	1,188	(5,138)	(3,950)
Other	57,965				232,874	12	(227)	(215)
Equity securities	393,254	106,971	(4,346)	102,625	335,651	106,684		106,684
Total	$ 2,208,715	$ 181,189	$ (4,510)	$ 176,679	$ 5,254,405	$ 191,234	$ (9,878)	$ 181,356

As of December 31, 2014, restricted and non-restricted marketable investment securities included debt securities of $1.319 billion with contractual maturities within one year, $292 million with contractual maturities extending longer than one year through and including five years and $204 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 December 31, 2014, the unrealized losses on our investments in equity securities represented investments in broad-based indices. We are not aware of any factors that indicate the unrealized losses in these investments are due to factors other than temporary market fluctuations. As of December 31, 2014, 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 December 31,			
	2014		2013	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)			
Debt Securities:				
Less than 12 months	$ 280,738	$ (105)	$ 2,208,930	$ (3,106)
12 months or more	135,853	(59)	84,915	(6,773)
Equity Securities:				
Less than 12 months	15,338	(4,346)		
12 months or more				
Total	$ 431,929	$ (4,510)	$ 2,293,845	$ (9,879)

Fair Value Measurements

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

	As of							
	December 31, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(In thousands)							
Cash Equivalents (including restricted)	$ 7,009,897	$ 274,123	$ 6,735,774	$	$ 4,387,252	$ 323,638	$ 4,063,614	$
Debt securities (including restricted):								
U. S. Treasury and agency securities	$ 58,254	$ 42,710	$ 15,544	$	$ 11,015	11,015		

Commercial paper	68,556		68,556		465,981		465,981	
Corporate securities	1,496,044		1,488,340	7,704	4,075,232		4,062,186	13,046
ARS	134,642		206	134,436	133,652		678	132,974
Other	57,965		57,965		232,874		232,874	
Equity securities	393,254	393,254			335,651	335,651		
Subtotal	$ 2,208,715	$ 435,964	$ 1,630,611	$ 142,140	$ 5,254,405	$ 346,666	$ 4,761,719	$ 146,020
Derivative financial instruments	383,460		383,460		292,507		292,507	
Total	$ 2,592,175	$ 435,964	$ 2,014,071	$ 142,140	$ 5,546,912	$ 346,666	$ 5,054,226	$ 146,020

As of December 31, 2014 and 2013, our Level 3 investments consisted predominately of ARS and other investment securities. On a quarterly basis we evaluate the reasonableness of significant unobservable inputs used in those measurements. The valuation models used for some of our ARS investments require an evaluation of the underlying instruments held by the trusts that issue these securities. For our other ARS and other investment securities, we

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 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, 2012	$	105,217
Net realized and unrealized gains (losses) included in earnings		26,532
Net realized and unrealized gains (losses) included in other comprehensive income (loss)		1,926
Purchases		14,158
Settlements		(1,813)
Issuances		
Transfers into or out of Level 3		
Balance as of December 31, 2013	$	146,020
Net realized and unrealized gains (losses) included in earnings		(6,522)
Net realized and unrealized gains (losses) included in other comprehensive income (loss)		8,321
Purchases		
Settlements		(5,679)
Issuances		
Transfers into or out of Level 3		
Balance as of December 31, 2014	$	142,140

During the years ended December 31, 2014 and 2013, 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 Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

Other Income (Expense):		**For the Years Ended December 31, 2014**		**2013 (In thousands)**		**2012**
	$	7,649	$	157,444	$	120,558

Marketable investment securities - gains (losses) on sales/exchanges						
Marketable investment securities - unrealized gains (losses) on investments accounted for using the Fair Value Option		4,727		26,371		1,331
Marketable investment securities - gains (losses) on conversion of DBSD North America Notes (1)						99,445
Derivative financial instruments - net realized and/or unrealized gains (losses)		(59,015)		205,779		
Marketable investment securities - other-than-temporary impairments		(13,876)		(1,919)		(49,020)
Other		(8,826)		(2,819)		1,383
Total	$	(69,341)	$	384,856	$	173,697

(1) During the year ended December 31, 2012, we recognized a $99 million non-cash gain related to the conversion of our DBSD North America 7.5% Convertible Senior Secured Notes due 2009 in connection with the completion of the DBSD Transaction.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

7. Inventory

Inventory consisted of the following:

	As of December 31, 2014		2013	
	(In thousands)			
Finished goods	$	252,238	$	299,975
Raw materials		159,095		102,563
Work-in-process		82,421		110,169
Total	$	493,754	$	512,707

8. Property and Equipment and Intangible Assets

Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of December 31, 2014		2013	
		(In thousands)			
Equipment leased to customers	2-5	$	3,639,607	$	3,596,310
EchoStar I (1)	12				201,607
EchoStar VII (1)	15				177,000
EchoStar X (1)	15				177,192
EchoStar XI (1)	15				200,198
EchoStar XIV (1)	15				316,541
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		747,139		720,570
Buildings and improvements	1-40		85,509		83,531
Land	-		5,504		5,692
Construction in progress	-		774,567		515,447

Total property and equipment		6,581,524		7,323,286
Accumulated depreciation (1)		(2,807,985)		(3,225,575)
Property and equipment, net	$	3,773,539	$	4,097,711

(1) Property and equipment and accumulated depreciation decreased $1.073 billion and $633 million, respectively, as a result of the Satellite and Tracking Stock Transaction. See Note 6 and Note 20 for further discussion.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Construction in progress consisted of the following:

	As of December 31,	
	2014	2013
	(In thousands)	
Wireless ground equipment and build-out, including capitalized interest	$ 484,668	$ 289,732
EchoStar XVIII, including capitalized interest	271,497	143,839
T2 satellite (1)		40,000
Other	18,402	41,876
Construction in progress	$ 774,567	$ 515,447

(1) During the fourth quarter 2014, EchoStar purchased our rights to the T2 satellite. See Note 20 for further discussion of our Related Party Transactions with EchoStar.

As we prepare for commercialization of our AWS-4 and H Block wireless spectrum licenses, which are recorded in FCC Authorizations on our Consolidated Balance Sheets, interest expense related to their carrying value is being capitalized within Property and equipment, net on our 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 16 for further discussion.

Depreciation and amortization expense consisted of the following:

	For the Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Equipment leased to customers	$ 854,759	$ 763,796	$ 652,327
Satellites (1)	95,766	135,464	145,749
Buildings, furniture, fixtures, equipment and other (2)	127,411	154,766	98,632
148 degree orbital location (3)			67,776
Total depreciation and amortization	$ 1,077,936	$ 1,054,026	$ 964,484

(1) Depreciation and amortization expense decreased $40 million in 2014 as a result of the Satellite and Tracking Stock Transaction. See Note 6 and Note 20 for further discussion.

(2) During 2013, we ceased operations of our TerreStar Mobile Satellite Service (MSS) business, which had less than 2,000 customers and had less than $1 million in revenue. As a result, we accelerated the depreciable lives of certain assets designed to support this business and the remaining net book value of $53 million was fully depreciated in 2013.

(3) On May 31, 2012, the International Bureau of the FCC announced the termination of our license for use of the 148 degree orbital location associated with our DISH segment. We had not had a satellite positioned at the 148 degree orbital location since the retirement of EchoStar V in August 2009. Our license for use of the 148 degree orbital location had a $68 million carrying value. This amount was recorded as Depreciation and amortization expense on our Consolidated Statements of Operations and Comprehensive Income (Loss) in 2012 due to the termination of this license by the FCC.

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Satellites

DBS Satellites. As of December 31, 2014, we utilized 14 satellites in geostationary orbit approximately 22,300 miles above the equator, one of which we own and depreciate over its useful life. As of December 31, 2014, we utilized certain capacity on 11 satellites that we lease from EchoStar, which were accounted for as operating leases. As of December 31, 2014, we also leased two satellites from third parties, which were accounted for as capital leases and were depreciated over the shorter of the economic life or the term of the satellite agreement.

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 20 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 20 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 CONSOLIDATED FINANCIAL STATEMENTS - Continued

AWS-4 Satellites. As a result of the DBSD Transaction and the TerreStar Transaction, we acquired three AWS-4 satellites, including two in-orbit satellites (D1 and T1) and one satellite under construction (T2). See the table below for further information.

Satellites	Launch Date	Degree Orbital Location	Estimated Useful Life (Years)
Owned:			
T1	July 2009	111.1	15
D1	April 2008	92.85	15
Under Construction:			
T2 (1)	NA	NA	NA

(1) During the fourth quarter 2014, EchoStar purchased our rights to the T2 satellite. See Note 20 for further discussion of our Related Party Transactions with EchoStar.

Based on the FCC s rules applicable to our AWS-4 authorizations no longer requiring an integrated satellite component or ground spare and on our evaluation of the satellite capacity needed for our wireless segment, among other things, during the second quarter 2013, we concluded that T2 and D1 represented excess satellite capacity for the potential commercialization of our wireless spectrum. As a result, during the second quarter 2013, we wrote down the net book value of T2 from $270 million to $40 million and the net book value of D1 from $358 million to $150 million, and recorded an impairment charge in our wireless segment of $438 million in Impairment of long-lived assets on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2013. Our fair value estimates for these satellites were determined based upon, among other things, probability-weighted analyses utilizing the income and/or cost approaches. The estimates used in our fair value analysis are considered Level 3 in the fair value hierarchy. While we are no longer required to operate an integrated satellite component, we are currently planning on using T1 and D1 in the commercialization of our wireless spectrum or for other commercial purposes. If T1 is not used in the commercialization of our wireless spectrum or for other commercial purposes, we may need to impair it in the future. If D1 is not used in the commercialization of our wireless spectrum or for other commercial purposes, we may need to further impair it in the future. As of December 31, 2014, the net book value for T1 and D1 was $326 million and $150 million, respectively.

Satellites Under Construction

EchoStar XVIII. On September 7, 2012, we entered into a contract with Space Systems/Loral, Inc. (SS/L) for the construction of EchoStar XVIII, a DBS satellite with spot beam technology designed for, among other things, HD programming. During October 2013, we entered into an agreement with ArianeSpace S.A. for launch services for this satellite, which is expected to be launched during the fourth quarter 2015.

Satellite Anomalies

Operation of our DISH branded 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 owned or leased 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 thus may have a material adverse effect on our business, financial condition and results of operations.

In the past, certain of our owned and leased satellites have experienced anomalies, some of which have had a significant adverse impact on their remaining useful life and/or commercial operation. There can be no assurance that future anomalies will not impact the remaining useful life and/or commercial operation of any of the owned and leased satellites in our fleet. See Note 2 Impairment of Long-Lived Assets for further discussion of evaluation of impairment. There can be no assurance that we can recover critical transmission capacity in the event one or more of our owned or leased in-orbit satellites were to fail. We generally do not carry commercial insurance for any of the owned or leased in-orbit satellites that we use, other than certain satellites leased from third parties, and therefore, we will bear the risk associated with any uninsured in-orbit satellite failures.

Intangible Assets

As of December 31, 2014 and 2013, our identifiable intangibles subject to amortization consisted of the following:

	As of			
	December 31, 2014		December 31, 2013	
	Intangible Assets	Accumulated Amortization	Intangible Assets	Accumulated Amortization
	(In thousands)			
Technology-based	$ 7,210	$ (4,445)	$ 34,078	$ (12,222)
Trademarks	19,704	(5,644)	20,424	(6,432)
Contract-based	8,650	(8,650)	8,650	(8,650)
Customer relationships	2,900	(2,900)	4,294	(4,294)
Total (1)	$ 38,464	$ (21,639)	$ 67,446	$ (31,598)

(1) The decrease in intangible assets is due to certain assets distributed to EchoStar pursuant to the Sling TV Exchange Agreement. See Note 20 for further discussion.

These identifiable intangibles are included in Other noncurrent assets, net on our Consolidated Balance Sheets. Amortization of these intangible assets is recorded on a straight line basis over an average finite useful life primarily ranging from approximately two to 20 years. Amortization was $6 million, $11 million and $13 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Estimated future amortization of our identifiable intangible assets as of December 31, 2014 is as follows (in thousands):

For the Years Ended December 31,		
2015	$	4,423
2016		4,299
2017		2,967
2018		2,231
2019		1,825
Thereafter		1,080
Total	$	16,825

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Goodwill

The excess of our investments in consolidated subsidiaries over net tangible and identifiable intangible asset value at the time of the investment is recorded as goodwill and is not subject to amortization but is subject to impairment testing annually or whenever indicators of impairment arise. As of December 31, 2014 and 2013, our goodwill was $120 million and $126 million, respectively, which primarily related to our wireless segment. The decrease in goodwill is due to certain assets distributed to EchoStar pursuant to the Sling TV Exchange Agreement. See Note 20 for further discussion. In conducting our annual impairment test in 2014, we determined that the fair value of our wireless segment was in excess of the carrying value.

FCC Authorizations

As of December 31, 2014 and 2013, our FCC Authorizations consisted of the following:

	As of December 31,			
		2014		2013
	(In thousands)			
DBS Licenses	$	611,794	$	611,794
700 MHz Licenses		711,871		711,871
MVDDS Licenses (1)		24,000		24,000
AWS-4 Licenses		1,949,000		1,949,000
H-Block Licenses (2)		1,671,506		
Total	$	4,968,171	$	3,296,665

(1) We have multichannel video distribution and data service (MVDDS) licenses in 82 out of 214 geographical license areas, including Los Angeles, New York City, Chicago and several other major metropolitan areas. By August 2014, we were required to meet certain FCC build-out requirements related to our MVDDS licenses, and we are subject to certain FCC service rules applicable to these licenses. In January 2015, the FCC granted our application to extend the build-out requirements related to our MVDDS licenses. We now have until 2019 to provide substantial service on our MVDDS licenses, and the licenses expire in 2024. Our MVDDS licenses may be terminated, however, if we do not provide substantial service in accordance with the new build-out requirements.

(2) On April 29, 2014, the FCC issued an order granting our application to acquire all 176 wireless spectrum licenses in the H Block auction. See Note 16 for further discussion.

9. Acquisitions

DBSD North America and TerreStar Transactions

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 acquisitions of 100% of the equity of reorganized DBSD North America and substantially all of the assets of TerreStar, pursuant to which we acquired, among other things, certain satellite assets and 40 MHz of spectrum licenses held by DBSD North America (the DBSD Transaction) and TerreStar (the TerreStar Transaction), which licenses the FCC modified in March 2013 to add AWS-4 authority (AWS-4). The total consideration to acquire the DBSD North America and TerreStar assets was approximately $2.860 billion. See Note 16 for further information.

As a result of these acquisitions, we recognized the acquired assets and assumed liabilities based on our estimates of fair value at their acquisition date, including $102 million in an uncertain tax position in Long-term deferred revenue, distribution and carriage payments and other long-term liabilities on our Consolidated Balance Sheets. Subsequently, in the third quarter 2013, this uncertain tax position was resolved and $102 million was reversed and

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

recorded as a decrease in Income tax (provision) benefit, net on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2013.

10. Discontinued Operations

As of December 31, 2013, Blockbuster had ceased material operations. The results of Blockbuster are presented for all periods as discontinued operations in our consolidated financial statements.

During the years ended December 31, 2013 and 2012, the revenue from our discontinued operations was $503 million and $1.085 billion, respectively. Income (loss) from discontinued operations, before income taxes for the same periods was a loss of $54 million and $62 million, respectively. In addition, Income (loss) from discontinued operations, net of tax for the same periods was a loss of $47 million and $37 million, respectively.

As of December 31, 2013, the net assets from our discontinued operations consisted of the following:

	As of December 31, 2013 (In thousands)	
Current assets from discontinued operations	$	68,239
Noncurrent assets from discontinued operations		9,965
Current liabilities from discontinued operations		(49,471)
Long-term liabilities from discontinued operations		(19,804)
Net assets from discontinued operations	$	8,929

Blockbuster - Domestic

Since the Blockbuster Acquisition, we continually evaluated the impact of certain factors, including, among other things, competitive pressures, the ability of significantly fewer company-owned domestic retail stores to continue to support corporate administrative costs, and other issues impacting the store-level financial performance of our company-owned domestic retail stores. These factors, among others, previously led us to close a significant number of company-owned domestic retail stores during 2012 and 2013. On November 6, 2013, we announced that Blockbuster would close all of its remaining company-owned domestic retail stores and discontinue the Blockbuster by-mail DVD service. As of December 31, 2013, Blockbuster had ceased material operations.

Blockbuster Mexico

During the third quarter 2013, we determined that our Blockbuster operations in Mexico (Blockbuster Mexico) were held for sale. As a result, we recorded pre-tax impairment charges of $19 million related to exiting the business, which was recorded in Income (loss) from discontinued operations, net of tax on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2013. On January 14, 2014, we completed the sale of Blockbuster Mexico.

Blockbuster UK Administration

On January 16, 2013, Blockbuster Entertainment Limited and Blockbuster GB Limited, our Blockbuster operating subsidiaries in the United Kingdom, entered into administration proceedings in the United Kingdom (the Administration). As a result of the Administration, we wrote down the assets of all our Blockbuster UK subsidiaries to their estimated net realizable value on our Consolidated Balance Sheets as of December 31, 2012. In total, we recorded charges of approximately $46 million on a pre-tax basis related to the Administration, which was recorded in Income (loss) from discontinued operations, net of tax on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2012.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

11. Long-Term Debt and Capital Lease Obligations

Fair Value of our Long-Term Debt

The following table summarizes the carrying and fair values of our debt facilities as of December 31, 2014 and 2013:

	As of December 31,			
	2014		2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
6 5/8% Senior Notes due 2014 (1)	$	$	$ 1,000,000	$ 1,040,200
7 3/4% Senior Notes due 2015 (2)	650,001	664,321	750,000	813,750
7 1/8% Senior Notes due 2016	1,500,000	1,580,625	1,500,000	1,657,500
4 5/8% Senior Notes due 2017	900,000	933,750	900,000	946,962
4 1/4% Senior Notes due 2018	1,200,000	1,245,600	1,200,000	1,221,792
7 7/8% Senior Notes due 2019	1,400,000	1,589,700	1,400,000	1,603,000
5 1/8% Senior Notes due 2020	1,100,000	1,100,000	1,100,000	1,104,950
6 3/4% Senior Notes due 2021	2,000,000	2,157,500	2,000,000	2,122,500
5 7/8% Senior Notes due 2022	2,000,000	2,055,000	2,000,000	1,997,500
5% Senior Notes due 2023	1,500,000	1,470,000	1,500,000	1,458,090
5 7/8% Senior Notes due 2024	2,000,000	2,019,800		
Other notes payable (3)	34,084	34,084	80,769	80,769
Subtotal	14,284,085	$ 14,850,380	13,430,769	$ 14,047,013
Unamortized discounts, net	(15,219)		(19,198)	
Capital lease obligations (4)	194,914	NA	220,115	NA
Total long-term debt and capital lease obligations (including current portion)	$ 14,463,780		$ 13,631,686	

---

(1) During the nine months ended September 30, 2014, we repurchased $100 million of our 6 5/8% Senior Notes due 2014 in open market trades. The remaining balance of $900 million was redeemed on October 1, 2014.

(2) During 2014, we repurchased $100 million of our 7 3/4% Senior Notes due 2015 in open market trades. The remaining balance of $650 million matures on May 31, 2015 and is included in Current portion of long-term debt and capital lease obligations on our Consolidated Balance Sheets as of December 31, 2014.

(3) On February 20, 2014, we entered into the Satellite and Tracking Stock Transaction, which resulted in a decrease in Other notes payable of $44 million related to the in-orbit incentive obligations associated with the Transferred Satellites. See Note 6 and Note 20 for further discussion.

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

Our Senior Notes are:

- general unsecured senior obligations of DISH DBS Corporation (DISH DBS);
- ranked equally in right of payment with all of DISH DBS and the guarantors existing and future unsecured senior debt; and
- ranked effectively junior to our and the guarantors current and future secured senior indebtedness up to the value of the collateral securing such indebtedness.

The indentures related to our Senior Notes contain restrictive covenants that, among other things, impose limitations on the ability of DISH DBS and its restricted subsidiaries to:

- incur additional debt;
- pay dividends or make distributions on DISH DBS capital stock or repurchase DISH DBS capital stock;

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

- make certain investments;
- create liens or enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- merge or consolidate with another company; and
- transfer or sell assets.

In the event of a change of control, as defined in the related indentures, we would be required to make an offer to repurchase all or any part of a holder s Senior Notes at a purchase price equal to 101% of the aggregate principal amount thereof, together with accrued and unpaid interest thereon, to the date of repurchase.

7 3/4% Senior Notes due 2015

On May 27, 2008, we issued $750 million aggregate principal amount of our seven-year 7 3/4% Senior Notes due May 31, 2015. During 2014, we repurchased $100 million of our 7 3/4% Senior Notes due 2015 in open market trades. The remaining balance of $650 million matures on May 31, 2015. Interest accrues at an annual rate of 7 3/4% and is payable semi-annually in cash, in arrears on May 31 and November 30 of each year.

The 7 3/4% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest.

7 1/8% Senior Notes due 2016

On February 2, 2006, we issued $1.5 billion aggregate principal amount of our ten-year 7 1/8% Senior Notes due February 1, 2016. Interest accrues at an annual rate of 7 1/8% and is payable semi-annually in cash, in arrears on February 1 and August 1 of each year.

The 7 1/8% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest.

4 5/8% Senior Notes due 2017

On May 16, 2012, we issued $900 million aggregate principal amount of our five-year 4 5/8% Senior Notes due July 15, 2017. Interest accrues at an annual rate of 4 5/8% and is payable semi-annually in cash, in arrears on January 15 and July 15 of each year.

The 4 5/8% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to July 15, 2015, we may also redeem up to 35.0% of the 4 5/8% Senior Notes at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

4 1/4% Senior Notes due 2018

On April 5, 2013, we issued $1.2 billion aggregate principal amount of our five-year 4 1/4% Senior Notes due April 1, 2018. Interest accrues at an annual rate of 4 1/4% and is payable semi-annually in cash in arrears on April 1 and October 1 of each year.

The 4 1/4% Senior Notes due 2018 are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to April 1, 2016, we may also redeem up to 35.0% of the 4 1/4% Senior Notes due 2018 at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

7 7/8% Senior Notes due 2019

On August 17, 2009 and October 5, 2009, we issued $1.0 billion and $400 million, respectively, aggregate principal amount of our ten-year 7 7/8% Senior Notes due September 1, 2019. Interest accrues at an annual rate of 7 7/8% and is payable semi-annually in cash, in arrears on March 1 and September 1 of each year.

The 7 7/8% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest.

5 1/8% Senior Notes due 2020

On April 5, 2013, we issued $1.1 billion aggregate principal amount of our seven-year 5 1/8% Senior Notes due May 1, 2020. Interest accrues at an annual rate of 5 1/8% and is payable semi-annually in cash in arrears on May 1 and November 1 of each year.

The 5 1/8% Senior Notes due 2020 are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to May 1, 2016, we may also redeem up to 35.0% of the 5 1/8% Senior Notes due 2020 at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

6 3/4% Senior Notes due 2021

On May 5, 2011, we issued $2.0 billion aggregate principal amount of our ten-year 6 3/4% Senior Notes due June 1, 2021. Interest accrues at an annual rate of 6 3/4% and is payable semi-annually in cash, in arrears on June 1 and December 1 of each year.

The 6 3/4% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest.

5 7/8% Senior Notes due 2022

On May 16, 2012 and July 26, 2012, we issued $1.0 billion and $1.0 billion, respectively, aggregate principal amount of our ten-year 5 7/8% Senior Notes due July 15, 2022. Interest accrues at an annual rate of 5 7/8% and is payable semi-annually in cash, in arrears on January 15 and July 15 of each year.

The 5 7/8% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to July 15, 2015, we may also redeem up to 35.0% of the 5 7/8% Senior Notes at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

5% Senior Notes due 2023

On December 27, 2012, we issued $1.5 billion aggregate principal amount of our 5% Senior Notes due March 15, 2023. Interest accrues at an annual rate of 5% and is payable semi-annually in cash, in arrears on March 15 and September 15 of each year.

The 5% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to March 15, 2016, we may also redeem up to 35.0% of the 5% Senior Notes at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

5 7/8% Senior Notes due 2024

On November 20, 2014, we issued $2.0 billion aggregate principal amount of our ten-year 5 7/8% Senior Notes due November 15, 2024. Interest accrues at an annual rate of 5 7/8% and is payable semi-annually in cash, in arrears on May 15 and November 15 of each year, commencing on May 15, 2015.

The 5 7/8% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount plus a make-whole premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to November 15, 2017, we may also redeem up to 35.0% of the 5 7/8% Senior Notes at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

Interest on Long-Term Debt

	Semi-Annual Payment Dates	Annual Debt Service Requirements (In thousands)
7 1/8% Senior Notes due 2016	February 1 and August 1	$ 106,875
4 5/8% Senior Notes due 2017	January 15 and July 15	$ 41,625
4 1/4% Senior Notes due 2018	April 1 and October 1	$ 51,000
7 7/8% Senior Notes due 2019	March 1 and September 1	$ 110,250
5 1/8% Senior Notes due 2020	May 1 and November 1	$ 56,375
6 3/4% Senior Notes due 2021	June 1 and December 1	$ 135,000
5 7/8% Senior Notes due 2022	January 15 and July 15	$ 117,500
5% Senior Notes due 2023	March 15 and September 15	$ 75,000
5 7/8 % Senior Notes due 2024	May 15 and November 15	$ 117,500

During 2014, we repurchased $100 million of our 7 3/4% Senior Notes due 2015 in open market trades. The remaining balance of $650 million matures on May 31, 2015 and is included in Current portion of long-term debt and capital lease obligations on our Consolidated Balance Sheets as of December 31, 2014. A debt service payment of approximately $25 million will be paid on May 31, 2015 assuming no additional open market repurchases.

Our ability to meet our debt service requirements will depend on, among other factors, the successful execution of our business strategy, which is subject to uncertainties and contingencies beyond our control.

Other Long-Term Debt and Capital Lease Obligations

Other long-term debt and capital lease obligations consisted of the following:

	As of December 31,	
	2014	2013
	(In thousands)	
Satellites and other capital lease obligations	$ 194,914	$ 220,115
Notes payable related to satellite vendor financing and other debt payable in installments through 2025 with interest rates ranging from approximately 1.9% to 12.5%	34,084	80,769
Total	228,998	300,884
Less current portion	(31,466)	(34,893)
Other long-term debt and capital lease obligations, net of current portion	$ 197,532	$ 265,991

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Capital Lease Obligations

Anik F3. Anik F3, an FSS satellite, was launched and commenced commercial operation during April 2007. This satellite is accounted for as a capital lease and depreciated over the term of the satellite service agreement. We have leased 100% of the Ku-band capacity on Anik F3 for a period of 15 years.

Ciel II. Ciel II, a Canadian DBS satellite, was launched in December 2008 and commenced commercial operation during February 2009. This satellite is accounted for as a capital lease and depreciated over the term of the satellite service agreement. We have leased 100% of the capacity on Ciel II for an initial 10 year term.

As of December 31, 2014 and 2013, we had $500 million capitalized for the estimated fair value of satellites acquired under capital leases included in Property and equipment, net, with related accumulated depreciation of $279 million and $236 million, respectively. In our Consolidated Statements of Operations and Comprehensive Income (Loss), we recognized $43 million, $43 million and $43 million in depreciation expense on satellites acquired under capital lease agreements during the years ended December 31, 2014, 2013 and 2012, respectively.

Future minimum lease payments under the capital lease obligations, together with the present value of the net minimum lease payments as of December 31, 2014 are as follows (in thousands):

For the Years Ended December 31,		
2015	$	77,089
2016		76,809
2017		76,007
2018		75,982
2019		50,331
Thereafter		112,000
Total minimum lease payments		468,218
Less: Amount representing lease of the orbital location and estimated executory costs (primarily insurance and maintenance) including profit thereon, included in total minimum lease payments		(220,883)
Net minimum lease payments		247,335
Less: Amount representing interest		(52,421)
Present value of net minimum lease payments		194,914
Less: Current portion		(28,378)
Long-term portion of capital lease obligations	$	166,536

The summary of future maturities of our outstanding long-term debt as of December 31, 2014 is included in the commitments table in Note 16.

12. Income Taxes and Accounting for Uncertainty in Income Taxes

Income Taxes

Our income tax policy is to record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported on our Consolidated Balance Sheets, as well as probable operating loss, tax credit and other carryforwards. Deferred tax assets are offset by valuation allowances when we believe it is more likely than not that net deferred tax assets will not be realized. We periodically evaluate our need for a valuation allowance. Determining necessary valuation allowances requires us to make assessments about historical financial information as well as the timing of future events, including the probability of expected future taxable income and available tax planning opportunities.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

We file consolidated tax returns in the U.S. The income taxes of domestic and foreign subsidiaries not included in the U.S. tax group are presented in our consolidated financial statements based on a separate return basis for each tax paying entity.

As of December 31, 2014, we had no net operating loss carryforwards (NOLs) for federal income tax purposes and $39 million of NOL benefit for state income tax purposes, which are partially offset by a valuation allowance. The state NOLs begin to expire in the year 2017. In addition, there are $38 million of tax benefits related to credit carryforwards which are partially offset by a valuation allowance. The state credit carryforwards began to expire in 2015.

The components of the (provision for) benefit from income taxes were as follows:

	For the Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Current (provision) benefit:			
Federal	$ (180,282)	$ (162,737)	$ 28,503
State	44,565	2,421	8,730
Foreign	(6,588)	(13,316)	
Total from continuing operations	(142,305)	(173,632)	37,233
Deferred (provision) benefit:			
Federal	(310,977)	(102,971)	(355,220)
State	(15,776)	(23,223)	(47,843)
Foreign	190,253		
Decrease (increase) in valuation allowance	1,965		33,839
Total from continuing operations	(134,535)	(126,194)	(369,224)
Total benefit (provision)	$ (276,840)	$ (299,826)	$ (331,991)

Our $1.206 billion of Income (loss) before income taxes on our Consolidated Statements of Operations and Comprehensive Income (Loss) included a loss of $4 million related to our foreign operations.

The following table shows the principal reasons for the difference between the effective income tax rate and the statutory federal tax rate:

	For the Years Ended December 31,		
	2014	2013	2012
	% of pre-tax (income)/loss		

Statutory rate	(35.0)	(35.0)	(35.0)
State income taxes, net of Federal benefit	(1.1)	(1.3)	(2.6)
Reversal of uncertain tax positions	3.5	9.0	
Foreign tax planning strategies, net of Federal benefit	9.8		
Other	(0.4)	0.9	0.8
Decrease (increase) in valuation allowance	0.2		3.4
Total benefit (provision) for income taxes	(23.0)	(26.4)	(33.4)

Our effective tax rate for the year ended December 31, 2014 was favorably impacted by tax planning strategies related to the tax structure of certain foreign legal entities, net of Federal benefit, totaling $118 million. Our effective tax rate for the year ended December 31, 2013 was favorably impacted by the $102 million reversal of an uncertain tax position that was resolved during the third quarter 2013.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Deferred taxes arise because of the differences in the book and tax bases of certain assets and liabilities. Significant components of deferred tax assets and liabilities were as follows:

	As of December 31,	
	2014	2013
	(In thousands)	
Deferred tax assets:		
NOL, credit and other carryforwards	$ 55,280	$ 20,947
Accrued expenses	46,456	53,700
Stock-based compensation	19,994	23,174
Deferred revenue	32,373	54,330
Total deferred tax assets	154,103	152,151
Valuation allowance	(8,652)	(9,515)
Deferred tax asset after valuation allowance	145,451	142,636
Deferred tax liabilities:		
Depreciation and amortization	(1,830,559)	(1,864,691)
Unrealized gains on investments	(139,032)	(58,435)
Other liabilities	(32,904)	(35,336)
Total deferred tax liabilities	(2,002,495)	(1,958,462)
Net deferred tax asset (liability)	$ (1,857,044)	$ (1,815,826)
Current portion of net deferred tax asset (liability)	$ 25,667	$ 129,864
Noncurrent portion of net deferred tax asset (liability)	(1,882,711)	(1,945,690)
Total net deferred tax asset (liability)	$ (1,857,044)	$ (1,815,826)

Accounting for Uncertainty in Income Taxes

In addition to filing federal income tax returns, we and one or more of our subsidiaries file income tax returns in all states that impose an income tax and a small number of foreign jurisdictions where we have immaterial operations. We are subject to U.S. federal, state and local income tax examinations by tax authorities for the years beginning in 2002 due to the carryover of previously incurred NOLs. We are currently under a federal income tax examination for fiscal years 2008 through 2012.

A reconciliation of the beginning and ending amount of unrecognized tax benefits included in Long-term deferred revenue, distribution and carriage payments and other long-term liabilities on our Consolidated Balance Sheets was as follows:

	For the Years Ended December 31,		
Unrecognized tax benefit	**2014**	**2013**	**2012**

		(In thousands)	
Balance as of beginning of period	$ 151,353	$ 328,951	$ 235,067
Additions based on tax positions related to the current year	69,643	12,736	110,435
Additions based on tax positions related to prior years	55,761	66,307	
Reductions based on tax positions related to prior years	(18,646)	(104,796)	(5,477)
Reductions based on tax positions related to settlements with taxing authorities	(42,023)	(139,022)	(1,739)
Reductions based on tax positions related to the lapse of the statute of limitations	(8,413)	(12,823)	(9,335)
Balance as of end of period	$ 207,675	$ 151,353	$ 328,951

We have $173 million in unrecognized tax benefits that, if recognized, could favorably affect our effective tax rate. We do not expect any portion of this amount to be paid or settled within the next twelve months. In 2013, we reversed $102 million of an uncertain tax position that was resolved during the third quarter 2013, reflected in the table above.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Accrued interest and penalties on uncertain tax positions are recorded as a component of Other, net on our Consolidated Statements of Operations and Comprehensive Income (Loss). During the year ended December 31, 2014, we recorded a credit of $3 million in interest and penalty expense to earnings. During the years ended December 31, 2013 and 2012, we recorded $4 million and less than $1 million in interest and penalty expense to earnings, respectively. Accrued interest and penalties were $10 million and $13 million at December 31, 2014 and 2013, respectively. The above table excludes these amounts.

13. Stockholders Equity (Deficit)

Capital Stock and Additional Paid-In Capital

Our certificate of incorporation authorizes the following capital stock: (i) 1,600,000,000 shares of Class A common stock, par value $0.01 per share; (ii) 800,000,000 shares of Class B common stock, par value $0.01 per share; (iii) 800,000,000 shares of Class C common stock, par value $0.01 per share; and (iv) 20,000,000 shares of preferred stock, par value $0.01 per share. As of December 31, 2014 and 2013, there were no outstanding shares of Class C common stock or preferred stock.

The Class A, Class B and Class C common stock are equivalent except for voting rights. Holders of Class A and Class C common stock are entitled to one vote per share and holders of Class B common stock are entitled to 10 votes per share. Each share of Class B and Class C common stock is convertible, at the option of the holder, into one share of Class A common stock. Our Class A common stock is publicly traded on the NASDAQ Global Select Market under the symbol DISH. Upon a change in control of DISH Network, each holder of outstanding shares of Class C common stock is entitled to 10 votes for each share of Class C common stock held. Our principal stockholder owns the majority of all outstanding Class B common stock. Together with all other stockholders, he also owns outstanding Class A common stock.

Common Stock Repurchase Program

Our Board of Directors previously authorized the repurchase of up to $1.0 billion of our Class A common stock. On October 30, 2014, our Board of Directors extended this authorization such that we are currently authorized to repurchase up to $1.0 billion of outstanding shares of our Class A common stock through and including December 31, 2015. As of December 31, 2014, we may repurchase up to $1.0 billion under this plan. During the years ended December 31, 2014, 2013 and 2012, there were no repurchases of our Class A common stock.

Cash Dividend

On December 28, 2012, we paid a cash dividend of $1.00 per share, or approximately $453 million, on our outstanding Class A and Class B common stock to stockholders of record at the close of business on December 14, 2012.

14. Employee Benefit Plans

Employee Stock Purchase Plan

Our employees participate in the DISH Network employee stock purchase plan (the ESPP), in which we are authorized to issue up to 2.8 million shares of Class A common stock. At December 31, 2014, we had 1.0 million shares of Class A common stock which remain available for issuance under the ESPP. Substantially all full-time employees who have been employed by us for at least one calendar quarter are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. Under the terms of the ESPP, employees may not deduct an amount which would permit such employee to purchase our capital stock under all of our stock purchase plans at a rate which would exceed $25,000 in fair value of capital stock in any one year. The purchase price of the stock is 85% of the closing price of the Class A common stock on the last business day of each calendar quarter in

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

which such shares of Class A common stock are deemed sold to an employee under the ESPP. During the years ended December 31, 2014, 2013 and 2012, employee purchases of Class A common stock through the ESPP totaled approximately 0.1 million, 0.1 million and 0.1 million shares, respectively.

401(k) Employee Savings Plan

We sponsor a 401(k) Employee Savings Plan (the 401(k) Plan) for eligible employees. Voluntary employee contributions to the 401(k) Plan may be matched 50% by us, subject to a maximum annual contribution of $2,500 per employee. Forfeitures of unvested participant balances which are retained by the 401(k) Plan may be used to fund matching and discretionary contributions. Our Board of Directors may also authorize an annual discretionary contribution to the 401(k) plan, subject to the maximum deductible limit provided by the Internal Revenue Code of 1986, as amended. These contributions may be made in cash or in our stock.

The following table summarizes the expense associated with our matching contributions and discretionary contributions:

Expense Recognized Related to the 401(k) Plan	For the Years Ended December 31, 2014	2013 (In thousands)	2012
Matching contributions, net of forfeitures from continuing operations	$ 6,222	$ 5,994	$ 2,750
Matching contributions, net of forfeitures from discontinued operations		176	573
Total matching contributions	$ 6,222	$ 6,170	$ 3,323
Discretionary stock contributions, net of forfeitures	$ 25,972	$ 26,096	$ 23,772

15. Stock-Based Compensation

Stock Incentive Plans

We maintain stock incentive plans to attract and retain officers, directors and key employees. Stock awards under these plans include both performance and non-performance based stock incentives. As of December 31, 2014, we had outstanding under these plans stock options to acquire 11.7 million shares of our Class A common stock and 1.8 million restricted stock units. Stock options granted on or prior to December 31, 2014 were granted with exercise prices equal to or greater than the market value of our Class A common stock at the date of grant and with a maximum term of approximately ten years. While historically we have issued stock awards subject to vesting, typically at the rate of 20% per year, some stock awards have been granted with immediate vesting and other stock awards vest only upon the achievement of certain

company-specific subscriber, operational and/or financial goals. As of December 31, 2014, we had 69.1 million shares of our Class A common stock available for future grant under our stock incentive plans.

During December 2011, we paid a dividend in cash of $2.00 per share on our outstanding Class A and Class B common stock to shareholders of record on November 17, 2011. In light of such dividend, during January 2012, the exercise price of 21.2 million stock options, affecting approximately 600 employees, was reduced by $2.00 per share (the 2011 Stock Option Adjustment). Except as noted below, all information discussed below reflects the 2011 Stock Option Adjustment.

On December 28, 2012, we paid a dividend in cash of $1.00 per share on our outstanding Class A and Class B common stock to shareholders of record on December 14, 2012. In light of such dividend, during January 2013, the exercise price of 16.3 million stock options, affecting approximately 550 employees, was reduced by $0.77 per share (the 2012 Stock Option Adjustment). Except as noted below, all information discussed below reflects the 2012 Stock Option Adjustment.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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, each DISH Network stock award was converted into an adjusted DISH Network stock award and a new EchoStar stock award consistent with the Spin-off exchange ratio. We are responsible for fulfilling all stock awards related to DISH Network common stock and EchoStar is responsible for fulfilling all stock awards related to EchoStar common stock, regardless of whether such stock awards are held by our or EchoStar s employees. Notwithstanding the foregoing, our stock-based compensation expense, resulting from stock awards outstanding at the Spin-off date, is based on the stock awards held by our employees regardless of whether such stock awards were issued by DISH Network or EchoStar. Accordingly, stock-based compensation that we expense with respect to EchoStar stock awards is included in Additional paid-in capital on our Consolidated Balance Sheets. As of March 31, 2013, we have recognized all of our stock-based compensation expense resulting from EchoStar stock awards outstanding at the Spin-off date held by our employees.

The following stock awards were outstanding:

	As of December 31, 2014			
	DISH Network Awards		EchoStar Awards	
Stock Awards Outstanding	**Stock Options**	**Restricted Stock Units**	**Stock Options**	**Restricted Stock Units**
Held by DISH Network employees	10,564,344	1,731,332	469,188	42,056
Held by EchoStar employees	1,161,479	66,999	N/A	N/A
Total	11,725,823	1,798,331	469,188	42,056

Exercise prices for stock options outstanding and exercisable as of December 31, 2014 were as follows:

	Options Outstanding			Options Exercisable		
	Number Outstanding as of December 31, 2014	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable as of December 31, 2014**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**
$ - $ 10.00	1,020,243	2.89	$ 6.29	1,020,243	2.89	$ 6.29
$ 10.01 - $ 20.00	5,204,509	2.32	$ 17.92	530,109	1.51	$ 17.60
$ 20.01 - $ 30.00	2,724,266	5.38	$ 25.64	1,427,366	4.94	$ 25.61
$ 30.01 - $ 40.00	2,085,855	7.58	$ 35.80	262,555	6.59	$ 34.70
$ 40.01 - $ 50.00	25,200	6.43	$ 44.43	10,000	3.50	$ 42.52
$ 50.01 - $ 60.00	100,000	7.75	$ 57.92	25,000	5.60	$ 57.92
$ 60.01 - $ 70.00	565,750	8.86	$ 64.17	23,750	6.80	$ 63.79
$ - $ 70.00	11,725,823	4.39	$ 24.51	3,299,023	3.90	$ 19.64

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Stock Award Activity

Our stock option activity was as follows:

	For the Years Ended December 31,					
	2014		2013		2012	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Total options outstanding, beginning of period (1)	14,058,574	$ 21.71	16,399,870	$ 19.04	21,336,159	$ 20.53
Granted	667,750	$ 63.23	2,225,500	$ 36.75	591,500	$ 32.25
Exercised	(2,724,301)	$ 18.77	(4,419,396)	$ 16.30	(4,940,393)	$ 18.46
Forfeited and cancelled	(276,200)	$ 32.26	(147,400)	$ 29.26	(587,396)	$ 20.44
Total options outstanding, end of period	11,725,823	$ 24.51	14,058,574	$ 21.71	16,399,870	$ 19.04
Performance based options outstanding, end of period (2)	7,246,500	$ 24.14	7,790,500	$ 24.02	7,929,250	$ 18.85
Exercisable at end of period	3,299,023	$ 19.64	4,799,173	$ 17.14	6,011,719	$ 18.31

(1) The beginning of period weighted-average exercise price for the year ended December 31, 2013 of $19.04 does not reflect the 2012 Stock Option Adjustment, which occurred subsequent to December 31, 2012. The beginning of period weighted-average exercise price for the year ended December 31, 2012 of $20.53 does not reflect the 2011 Stock Option Adjustment, which occurred subsequent to December 31, 2011.

(2) These stock options are included in the caption Total options outstanding, end of period. See discussion of the 2005 LTIP, 2008 LTIP, 2013 LTIP and Other Employee Performance Awards below.

We realized tax benefits from stock awards exercised as follows:

	For the Years Ended December 31,		
	2014	2013	2012
	(In thousands)		
Tax benefit from stock awards exercised	$ 52,366	$ 38,947	$ 23,378

Based on the closing market price of our Class A common stock on December 31, 2014, the aggregate intrinsic value of our stock options was as follows:

	As of December 31, 2014	
	Options Outstanding	Options Exercisable
	(In thousands)	
Aggregate intrinsic value	$ 567,280	$ 175,669

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Our restricted stock unit activity was as follows:

	For the Years Ended December 31,					
	2014		2013		2012	
	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Total restricted stock units outstanding, beginning of period	1,943,497	$ 29.09	1,185,080	$ 22.99	1,284,708	$ 23.25
Granted	316,500	$ 63.57	990,000	$ 36.53		$
Vested	(278,000)	$ 45.04	(135,250)	$ 29.19	(24,795)	$ 22.94
Forfeited and cancelled	(183,666)	$ 32.77	(96,333)	$ 30.46	(74,833)	$ 27.33
Total restricted stock units outstanding, end of period	1,798,331	$ 32.31	1,943,497	$ 29.09	1,185,080	$ 22.99
Restricted Performance Units outstanding, end of period (1)	1,798,331	$ 32.31	1,943,497	$ 29.09	1,185,080	$ 22.99

(1) These Restricted Performance Units are included in the caption Total restricted stock units outstanding, end of period. See discussion of the 2005 LTIP, 2008 LTIP, 2013 LTIP and Other Employee Performance Awards below.

Long-Term Performance-Based Plans

2005 LTIP. During 2005, we adopted a long-term, performance-based stock incentive plan (the 2005 LTIP). The 2005 LTIP provided stock options and restricted stock units, either alone or in combination, which vested over seven years at the rate of 10% per year during the first four years, and at the rate of 20% per year thereafter. Exercise of the stock awards was subject to the foregoing vesting schedule and a performance condition that a company-specific subscriber goal be achieved by March 31, 2015. It was determined that the goal can no longer be achieved under the terms of the 2005 LTIP.

2008 LTIP. During 2008, we adopted a long-term, performance-based stock incentive plan (the 2008 LTIP). The 2008 LTIP provided stock options and restricted stock units, either alone or in combination, which vested based on company-specific subscriber and financial goals. As of June 30, 2013, 100% of the eligible 2008 LTIP awards had vested.

2013 LTIP. During 2013, we adopted a long-term, performance-based stock incentive plan (the 2013 LTIP). The 2013 LTIP provides stock options and restricted stock units in combination, which vest based on company-specific subscriber and financial goals. Exercise of the stock awards is contingent on achieving these goals by September 30, 2022.

Although no awards vest until the Company attains the performance goals, compensation related to the 2013 LTIP will be recorded based on management s assessment of the probability of meeting the remaining goals. If the remaining goals are probable of being achieved, we will begin recognizing the associated non-cash, stock-based compensation expense on our Consolidated Statements of Operations and Comprehensive Income (Loss) over the estimated period to achieve the goal.

During the third quarter 2013, we determined that 20% of the 2013 LTIP performance goals were probable of achievement. During the second quarter 2014, we determined that an additional 10% of the 2013 LTIP performance goals were probable of achievement. As a result, we recorded non cash, stock based compensation expense for the year ended December 31, 2014, as indicated in the table below titled Non Cash, Stock Based Compensation Expense Recognized. As of December 31, 2014, approximately 20% of the 2013 LTIP awards had vested.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Other Employee Performance Awards. In addition to the above long-term, performance stock incentive plans, we have other stock awards that vest based on certain other company-specific subscriber, operational and/or financial goals. Exercise of these stock awards is contingent on achieving certain performance goals.

Additional compensation related to these awards will be recorded based on management s assessment of the probability of meeting the remaining performance goals. If the remaining goals are probable of being achieved, we will begin recognizing the associated non-cash, stock-based compensation expense on our Consolidated Statements of Operations and Comprehensive Income (Loss) over the estimated period to achieve the goal. See the table below titled Estimated Remaining Non-Cash, Stock-Based Compensation Expense.

Although no awards vest until the performance goals are attained, we determined that certain goals were probable of achievement and, as a result, recorded non-cash, stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012, as indicated in the table below titled Non-Cash, Stock-Based Compensation Expense Recognized.

Given the competitive nature of our business, small variations in subscriber churn, gross new subscriber activation rates and certain other factors can significantly impact subscriber growth. Consequently, while it was determined that achievement of certain other company-specific subscriber, operational and/or financial goals was not probable as of December 31, 2014, that assessment could change in the future.

The non-cash, stock-based compensation expense associated with these awards was as follows:

	For the Years Ended December 31,		
Non-Cash, Stock-Based Compensation Expense Recognized	**2014**	**2013**	**2012**
		(In thousands)	
2008 LTIP	$	$ 2,889	$ 9,246
2013 LTIP	12,361	8,137	
Other employee performance awards	14,095	4,045	7,471
Non-cash, stock-based compensation expense recognized for performance based awards from continuing operations	26,456	15,071	16,717
Non-cash, stock-based compensation expense recognized for performance based awards from discontinued operations		182	566
Total non-cash, stock-based compensation expense recognized for performance based awards	$ 26,456	$ 15,253	$ 17,283

Estimated Remaining Non-Cash, Stock-Based Compensation Expense	**2013 LTIP**	**Other Employee Performance Awards**
	(In thousands)	

Expense estimated to be recognized during 2015	$	1,749	$	1,694
Estimated contingent expense subsequent to 2015		52,928		36,087
Total estimated remaining expense over the term of the plan	$	54,677	$	37,781

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Of the 11.7 million stock options and 1.8 million restricted stock units outstanding under our stock incentive plans as of December 31, 2014, the following awards were outstanding pursuant to our performance-based stock incentive plans:

	As of December 31, 2014		
	Number of Awards		Weighted-Average Grant Price
Performance Based Stock Options			
2005 LTIP (1)	3,164,500	$	20.31
2013 LTIP	1,592,000	$	40.02
Other employee performance awards	2,490,000	$	18.85
Total	7,246,500	$	24.14
Restricted Performance Units			
2005 LTIP (1)	277,331		
2013 LTIP	796,000		
Other employee performance awards	725,000		
Total	1,798,331		

(1) It was determined that the goal can no longer be achieved under the terms of the 2005 LTIP.

Stock-Based Compensation

During the years ended December 31, 2013 and 2012, we incurred an initial charge related to vested options of $5 million and $14 million, respectively, of additional non-cash, stock-based compensation expense in connection with the 2012 Stock Option Adjustment and the 2011 Stock Option Adjustment discussed previously. These amounts are included in the table below. Total non-cash, stock-based compensation expense for all of our employees is shown in the following table for the years ended December 31, 2014, 2013 and 2012 and was allocated to the same expense categories as the base compensation for such employees:

	For the Years Ended December 31,					
		2014		2013		2012
			(In thousands)			
Subscriber-related	$	1,859	$	1,947	$	1,607
General and administrative		32,294		27,783		37,720
Non-cash, stock-based compensation from continuing operations		34,153		29,730		39,327
Non-cash, stock-based compensation from discontinued operations				925		1,643
Total non-cash, stock-based compensation	$	34,153	$	30,655	$	40,970

As of December 31, 2014, our total unrecognized compensation cost related to our non-performance based unvested stock awards was $15 million. This cost was based on an estimated future forfeiture rate of approximately 3.2% per year and will be recognized over a weighted-average period of approximately two years. Share-based compensation expense is recognized based on stock awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in the estimated forfeiture rate can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Valuation

The fair value of each stock option granted for the years ended December 31, 2014, 2013 and 2012 was estimated at the date of the grant using a Black-Scholes option valuation model with the following assumptions:

	For the Years Ended December 31,		
Stock Options	**2014**	**2013**	**2012**
Risk-free interest rate	1.80% - 2.84%	0.91% - 2.66%	0.41% - 1.29%
Volatility factor	28.53% - 38.62%	32.37% - 39.87%	33.15% - 39.50%
Expected term of options in years	5.5 - 9.0	5.6 - 10.0	3.1 - 5.9
Weighted-average fair value of options granted	$19.08 - $29.20	$14.49 - $21.09	$6.72 - $13.79

On December 28, 2012, we paid a $1.00 cash dividend per share on our outstanding Class A and Class B common stock. While we currently do not intend to declare additional dividends on our common stock, we may elect to do so from time to time. Accordingly, the dividend yield percentage used in the Black-Scholes option valuation model was set at zero for all periods. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded stock options which have no vesting restrictions and are fully transferable. Consequently, our estimate of fair value may differ from other valuation models. Further, the Black-Scholes option valuation model requires the input of highly subjective assumptions. Changes in these subjective input assumptions can materially affect the fair value estimate.

We will continue to evaluate the assumptions used to derive the estimated fair value of our stock options as new events or changes in circumstances become known.

16. Commitments and Contingencies

Commitments

As of December 31, 2014, future maturities of our long-term debt, capital lease and contractual obligations are summarized as follows:

	Payments due by period						
	Total	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
	(In thousands)						
	$ 14,284,085	$ 653,089	$ 1,503,152	$ 903,169	$ 1,203,235	$ 1,403,305	$ 8,618,135

Long-term debt obligations							
Capital lease obligations	194,914	28,378	30,893	32,993	36,175	19,503	46,972
Interest expense on long-term debt and capital lease obligations	5,057,786	851,661	772,290	716,327	646,445	618,716	1,452,347
Satellite-related obligations	2,413,176	502,197	362,527	336,576	327,246	301,106	583,524
Operating lease obligations	164,843	44,091	38,996	20,613	11,667	6,702	42,774
Purchase obligations	2,442,056	1,700,720	323,214	158,007	126,609	111,614	21,892
Total	$ 24,556,860	$ 3,780,136	$ 3,031,072	$ 2,167,685	$ 2,351,377	$ 2,460,946	$ 10,765,644

In certain circumstances the dates on which we are obligated to make these payments could be delayed. These amounts will increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

The table above does not include $208 million of liabilities associated with unrecognized tax benefits that were accrued, as discussed in Note 12 and are included on our Consolidated Balance Sheets as of December 31, 2014. We do not expect any portion of this amount to be paid or settled within the next twelve months.

The table above does not include our total equity and debt investments of $8.879 billion in Northstar Entities and the SNR Entities during the first quarter 2015, discussed below.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Wireless Spectrum

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 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. By June 2013, we were required to provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the 700 MHz Interim Build-Out Requirement). By June 2019, we were required to provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the 700 MHz Final Build-Out Requirement). As discussed below, these requirements have since been modified by the FCC.

On September 9, 2013, we filed a letter with the FCC in support of a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the Interoperability Solution). On October 29, 2013, the FCC issued an order approving the Interoperability Solution (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 700 MHz Interim Build-Out Requirement 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). These requirements replaced the previous build-out requirements associated with our 700 MHz licenses. 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 and TerreStar to us. On March 9, 2012, we completed the DBSD Transaction and 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.

Our consolidated FCC applications for approval of the license transfers from DBSD North America and TerreStar were accompanied by requests for waiver of the FCC s MSS integrated service and spare satellite requirements and various technical provisions. On March 21, 2012, the FCC released a Notice of Proposed Rule Making proposing the elimination of the integrated service, spare satellite and various technical

requirements associated with these licenses. On December 11, 2012, the FCC approved rules that eliminated these requirements and gave notice of its proposed modification of our authorizations to, among other things, allow us to offer single-mode terrestrial terminals to customers who do not desire satellite functionality. 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. 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%

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 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. The auction of wireless spectrum known as the H Block commenced on January 22, 2014 and concluded on February 27, 2014. We were the winning bidder for all 176 wireless spectrum licenses in the H Block auction with an aggregate bid of $1.564 billion. On December 17, 2013, we paid approximately $328 million to the FCC as a deposit for the H Block auction. We paid the remaining balance of our winning bid of approximately $1.236 billion for the H Block licenses on March 28, 2014. On April 29, 2014, the FCC issued an order granting our application to acquire these H Block licenses. As a result, during May 2014, we also paid approximately $13 million to UTAM, Inc. for clearance costs associated with the lower H Block spectrum and approximately $95 million to Sprint for clearance costs associated with the upper H Block spectrum in connection with the issuance of the H Block licenses. 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

Northstar Wireless was the winning bidder for certain AWS-3 Licenses (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 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, LLC (Northstar Manager and collectively with Northstar Spectrum and Northstar Wireless, the Northstar Entities) 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 agreed to make pro-rata equity contributions in Northstar Spectrum equal to approximately 15% of the net purchase price of the Northstar Licenses. 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 agreed to make loans to Northstar Wireless for approximately 85% of the net purchase price of the Northstar Licenses. American II made equity contributions to Northstar Spectrum of approximately $633 million and a loan to Northstar Wireless of approximately $432 million for Northstar Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the Northstar Licenses. American II is also required to make an equity contribution to Northstar Spectrum of approximately $117 million and a loan to Northstar Wireless of approximately $4.569 billion for Northstar Wireless to make the final payment required for the Northstar Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American II to Northstar Spectrum will be approximately $750 million and the total loans from American II to Northstar Wireless will be approximately $5.001 billion.

SNR Wireless was the winning bidder for certain AWS-3 Licenses (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 is obligated to make 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 Wireless Management, LLC (SNR Management and collectively with SNR Holdco and SNR Wireless, the SNR Entities) 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 agreed to make pro-rata equity contributions in SNR Holdco equal to approximately 15% of the net purchase price of the SNR Licenses. 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 agreed to make loans to SNR Wireless for the amount of the bid withdrawal payment and approximately 85% of the net purchase price of the SNR Licenses. American III made equity contributions to SNR Holdco of approximately $408 million and a loan to SNR Wireless of approximately $350 million for SNR Wireless to make the upfront payment for the AWS-3 Auction and the down payment required for the SNR Licenses. American III is also required to make an equity contribution to SNR Holdco of approximately $116 million and a loan to SNR Wireless of approximately $3.153 billion for SNR Wireless to make the final payment required for the SNR Licenses, which is due to the FCC by March 2, 2015. Consequently, as of March 2, 2015, the total equity contributions from American III to SNR Holdco will be

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

approximately $524 million and the total loans from American III to SNR Wireless will be approximately $3.503 billion.

After Northstar Wireless and SNR Wireless have made the final payments to the FCC 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 will be approximately $9.778 billion. We have funded and will fund these investments from existing cash and marketable investment securities. Such funding has included and will include $899 million in total equity and debt investments in the Northstar Entities and SNR Entities during the fourth quarter 2014, cash and marketable investment securities as of December 31, 2014, cash generated from operations during 2015, and a $400 million refund from the FCC to one of our wholly-owned subsidiaries related to the AWS-3 Auction. Issuance of any AWS-3 Licenses to Northstar Wireless and SNR Wireless depends, among other things, upon the FCC s review and approval of the applications filed by Northstar Wireless and SNR Wireless. Objections to the applications filed by Northstar Wireless and SNR Wireless must be submitted to the FCC within ten calendar days following the release by the FCC of the public notice listing the applications acceptable for filing. We cannot predict the timing or the outcome of the FCC s review of the applications filed by Northstar Wireless and SNR Wireless.

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.

Guarantees

During the third quarter 2009, EchoStar entered into a new 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 December 31, 2014, the remaining obligation of our guarantee was $312 million.

As of December 31, 2014, we have not recorded a liability on the balance sheet for this guarantee.

Purchase Obligations

Our 2015 purchase obligations primarily consist of binding purchase orders for receiver systems and related equipment, broadband equipment, digital broadcast operations, engineering services, and products and services related to the operation of our DISH branded pay-TV service. Our purchase obligations also include certain fixed contractual commitments to purchase programming content. Our purchase obligations can

fluctuate significantly from period to period due to, among other things, management s control of inventory levels, and can materially impact our future operating asset and liability balances, and our future working capital requirements.

Programming Contracts

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. These programming commitments are not included in the Commitments table above. The terms of our contracts typically range from one to ten years with annual rate increases. Our programming expenses will continue to increase to the extent we are successful in growing our Pay-TV subscriber base. In addition, our margins may face further downward pressure from price increases and the renewal of long-term pay-TV programming contracts on less favorable pricing terms.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Rent Expense

Total rent expense for operating leases related to our continuing operations was $469 million, $307 million and $254 million in 2014, 2013 and 2012, respectively. Rent expense in 2014 increased as a result of the Satellite and Tracking Stock Transaction. See Note 6 and Note 20 for further discussion

Patents and Intellectual Property

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

Contingencies

Separation Agreement

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 wholly-owned subsidiaries of EchoStar, in the United States District Court for the Central District of California. The complaint alleges infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781 and 8,284,833, each of which is entitled Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes. Caltech 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 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. Trial is scheduled to commence on April 20, 2015.

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 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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 are seeking civil penalties and damages of approximately $270 million and that the federal plaintiff is 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, and the Court heard oral arguments on the parties summary judgment motions on October 17, 2014. 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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.

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.

ESPN

During 2008, our wholly-owned subsidiary DISH Network L.L.C. filed a lawsuit against ESPN, Inc.; ESPN Classic, Inc.; ABC Cable Networks Group; Soapnet L.L.C. and International Family Entertainment (collectively, ESPN) for breach of contract in New York State Supreme Court. Our complaint alleged that ESPN failed to provide us with certain HD feeds of the Disney Channel, ESPN News, Toon and ABC Family. In October 2011, the jury returned a verdict in favor of the defendants, which the New York State Supreme Court, Appellate Division, First Department (the First Department) affirmed on April 2, 2013. We sought leave to further appeal, which the New York Court of Appeals denied on August 27, 2013 on jurisdictional grounds. On September 19, 2013, we appealed the trial court s final judgment to the First Department. On March 6, 2014, pursuant to a settlement and release agreement between the parties, we dismissed our appeal.

ESPN had asserted a counterclaim alleging that we owed approximately $35 million under the applicable affiliation agreements. On April 15, 2009, the New York State Supreme Court granted, in part, ESPN s motion for summary judgment on the counterclaim, finding that we were liable for some of the amount alleged to be owing but that the actual amount owing was disputed. On December 29, 2010, the First Department affirmed the partial grant of ESPN s motion for summary judgment on the counterclaim. After the partial grant of ESPN s motion for summary judgment, ESPN sought an additional $30 million under the applicable affiliation agreements. On March 15, 2010, the New York State Supreme Court ruled that we owed the full amount of approximately $66 million under the applicable affiliation agreements. As of December 31, 2010, we had $42 million recorded as a Litigation accrual on our Consolidated Balance Sheets.

On June 21, 2011, the First Department affirmed the New York State Supreme Court s ruling that we owed approximately $66 million under the applicable affiliation agreements and, on October 18, 2011, denied our motion for leave to appeal that decision to New York s highest court, the New York Court of Appeals. We sought leave to appeal directly to the New York Court of Appeals and, on January 10, 2012, the New York Court of Appeals dismissed our motion for leave on the ground that the ruling upon which we appealed did not fully resolve all claims in the action. As a result of the First Department s June 2011 ruling, we recorded $24 million of Litigation Expense on our Consolidated Statements of Operations and Comprehensive Income (Loss) during 2011. On

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

October 11, 2012, the New York State Supreme Court awarded ESPN $5 million in attorneys fees as the prevailing party on both our claim and ESPN s counterclaim. As a result, we recorded $5 million of General and administrative expenses and increased our Litigation accrual to a total of $71 million related to this case as of December 31, 2012. During the first quarter 2013, we paid $71 million to ESPN related to the counterclaim and attorneys fees and $12 million for accrued interest. As a result of the parties settlement and release, no further appeals are possible, and this matter is now concluded.

Garnet Digital, LLC

On September 9, 2013, Garnet Digital, LLC (Garnet Digital) 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 No. 5,379,421 (the 421 patent), which is entitled Interactive Terminal for the Access of Remote Database Information. The 421 patent relates to methods for accessing information from a remote computerized database and related devices. On the same day, Garnet Digital filed similar complaints in the same court against 15 other defendants, including AT&T Inc.; Comcast Corp.; DirecTV; TiVo, Inc. and Verizon Communications, Inc. Garnet Digital is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On July 30, 2014, the Court dismissed the claims against us with prejudice.

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 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

Joao Control & Monitoring Systems LLC

On April 23, 2014, Joao Control & Monitoring Systems, LLC (Joao Control) filed a complaint against us in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 6,549,130 (the 130 patent), which is entitled Control Apparatus and Method for Vehicles and/or for Premises. Joao alleges that we infringe the 130 patent by making, using, providing and/or importing remotely-accessed DVRs. On the same day, Joao Control also filed similar actions against DirecTV; Verizon Communications, Inc.; Time Warner Cable Inc.; Cox Communications, Inc.; and Cablevision Systems Corporation, among others. Joao Control is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Joao Control never served us with its complaint and on June 23, 2014, Joao Control dismissed its complaint against us without prejudice.

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), 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 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 include, 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.

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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 May 14, 2015. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

Norman IP Holdings, LLC

On September 15, 2011, Norman IP Holdings, LLC (Norman) filed a patent infringement complaint (the 2011 Action) against Lexmark International Corporation (Lexmark) and Brother International Corporation (Brother), in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 5,592,555 (the 555 patent); 5,530,597 (the 597 patent) and 5,502,689 (the 689 patent) by Lexmark, and infringement of the 555 patent and the 689 patent by Brother. On January 27, 2012, Norman filed a second amended complaint in the 2011 Action that added us as a defendant, among others, in which it asserted the 555 patent and the 689 patent against us. On September 21, 2012, Norman served us with preliminary infringement contentions related to the 555 patent and the 689 patent, as well as the 597 patent, which outlined Norman s claims with respect to certain DISH products. On February 8, 2013, Norman filed a third amended complaint in the 2011 Action, in which

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

it added claims against us alleging infringement of the 597 patent. On April 8, 2013, Norman filed a fourth amended complaint in the 2011 Action, in which it added new claims against us alleging infringement of additional DISH products. On May 1, 2013, Norman filed a fifth amended complaint in the 2011 Action, in which it named Mercedes-Benz USA, LLC; Volkswagen Group of America, Inc.; Xerox Corporation; ZTE (USA) Inc. and ZTE Solutions, Inc. as defendants, in addition to us. On July 9, 2013, the Court ordered Norman to file a new sixth amended complaint limiting Norman s claims against us to those specifically referenced in its September 21, 2012 preliminary infringement contentions. As a result, on July 10, 2013, Norman filed a sixth amended complaint in the 2011 Action, in which it asserted claims against our wholly-owned subsidiary DISH Network L.L.C. replacing us as defendant, alleging that the use of certain Broadcom chipsets in DISH DVR systems infringes the 689 patent. In addition, Norman withdrew all infringement claims against us regarding the 555 patent and the 597 patent. On July 12, 2013, we filed a motion to dismiss the 2011 Action, because Norman failed to comply with the Court s July 9, 2013 order.

In addition, on May 10, 2013, Norman filed a separate patent infringement complaint (the 2013 Action) against us in the United States District Court for the Eastern District of Texas, asserting infringement of the 555, 597 and 689 patents, as well as United States Patent Nos. 5,608,873 (the 873 patent) and 5,771,394 (the 394 patent). The infringement claims asserted in the 2013 Action relate to different DISH products than Norman identified in the 2011 Action.

On October 18, 2013, the parties stipulated that Norman will dismiss all of its claims against DISH Network L.L.C. in the 2011 Action, and re-assert them in the 2013 Action.

The 689 patent relates to a clock generator capable of shut-down mode and clock generation method, the 555 patent relates to a wireless communications privacy method and system, the 597 patent relates to an interrupt enable circuit that allows devices to exit processes without using a hardware reset, the 873 patent relates to a device and method for providing inter-processor communication in a multi-processor architecture, and the 394 patent relates to a servo loop control apparatus having a master microprocessor and at least one autonomous streamlined signal processor. Norman is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

On May 30, 2014, Norman dismissed the 2013 Action against us with prejudice, pursuant to a settlement agreement.

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, which is pending. Trial is scheduled to commence on May 18, 2015. PMC has informed us that it will not pursue at trial its claim for infringement of United States Patent No. 5,109,414. PMC s damages expert had contended that we and EchoStar are liable for damages ranging from approximately $500 million to $650 million as of March 31, 2012, and has subsequently modified such damages as ranging from approximately $150 million to $450 million, as of September 30, 2014, which does not include pre-judgment interest and may be trebled under Federal law.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

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.

Preservation Technologies, LLC

In December 2011, Preservation Technologies, LLC (Preservation Technologies) filed suit against us in the United States District Court for the Central District of California. In the Operative Seventh Amended Complaint, filed on March 22, 2013, Preservation Technologies also names Netflix, Inc.; Hulu, LLC; AT&T Services, Inc.; Cox Communications, Inc.; Disney Online; American Broadcasting Companies, Inc.; Yahoo! Inc.; Wal-Mart Stores, Inc.; Vudu, Inc. and ESPN Internet Ventures as defendants. Preservation Technologies alleges that our BLOCKBUSTER On Demand, DISH branded pay-TV and DISH Online services and our Hopper and Joey® set-top boxes infringe United States Patent Nos. 5,813,014; 5,832,499; 6,092,080; 6,353,831; 6,574,638; 6,199,060; 5,832,495; 6,549,911; 6,212,527 and 6,477,537. The patents relate to digital libraries, the management of multimedia assets and the cataloging of multimedia data. Preservation Technologies is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

Effective June 18, 2014, Preservation Technologies dismissed all of its claims against us with prejudice, pursuant to a settlement agreement.

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.

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

Ronald A. Katz Technology Licensing, L.P.

During 2007, Ronald A. Katz Technology Licensing, L.P. (Katz) filed a patent infringement action against our wholly-owned subsidiary DISH Network L.L.C., in the United States District Court for the Northern District of California. The suit originally alleged infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology. The case was transferred and consolidated for pretrial purposes in the United States District Court for the Central District of California by order of the Judicial Panel on Multidistrict Litigation. Ultimately, only four patents remained in the case against us, of which all were expired and two were subject to granted reexamination proceedings before the United States Patent and Trademark Office. On November 19, 2014, the action was dismissed with prejudice, pursuant to a settlement agreement between the parties.

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.

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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.

Voom HD Holdings

In January 2008, Voom HD Holdings LLC (Voom) filed a lawsuit against our wholly-owned subsidiary DISH Network L.L.C., in New York Supreme Court, alleging breach of contract and other claims arising from our termination of the affiliation agreement governing carriage of certain Voom HD channels on the DISH branded pay-TV service and seeking over $2.5 billion in damages.

On October 21, 2012, we entered into a confidential settlement agreement and release (the Voom Settlement Agreement) with Voom and CSC Holdings, LLC (Cablevision), and for certain limited purposes, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar. The Voom Settlement Agreement resolved the litigation between the parties relating to the Voom programming services. Pursuant to the terms of the Voom Settlement Agreement, among other things: (i) the litigation between the parties relating to the Voom programming services was dismissed with prejudice and the parties released each other for all claims against each other related thereto; (ii) we agreed to pay $700 million in cash to Voom; (iii) DISH Media Holdings Corporation, our wholly-owned subsidiary, agreed to enter into an agreement to transfer its ownership interest in Voom to Rainbow Programming Holdings, LLC, an affiliate of Voom; and (iv) an affiliate of Cablevision agreed to enter into an agreement to transfer certain of its wireless multichannel video distribution and data service licenses (the MVDDS Licenses) to us. On October 23, 2012, we paid Voom $700 million.

Separately, we entered into a multi-year affiliation agreement with AMC Network Entertainment LLC, WE: Women s Entertainment LLC, The Independent Film Channel, The Sundance Channel L.L.C, each of which are subsidiaries of AMC Networks Inc., and Fuse Channel LLC, a subsidiary of The Madison Square Garden Company, for the carriage of AMC, WE, IFC, Sundance Channel and the Fuse channel.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Since the Voom Settlement Agreement and the multi-year affiliation agreement were entered into contemporaneously, we accounted for all components of both agreements at fair value in the context of the Voom Settlement Agreement. We determined the fair value of the multi-year affiliation agreement and the MVDDS Licenses using a market-based approach and a probability-weighted discounted cash flow analysis, respectively. Based on market data and similar agreements we have with other content providers, we allocated $54 million of the payments under the multi-year affiliation agreement to the fair value of the Voom Settlement Agreement. The resulting liability was recorded on our Consolidated Balance Sheets as Accrued Programming and is being amortized as contra Subscriber-related expenses on a straight-line basis over the term of the agreement. Evaluating all potential uses for the MVDDS Licenses, we assessed their fair value at $24 million and recorded these on our Consolidated Balance Sheets as FCC Authorizations. The fair value of the Voom Settlement Agreement was assessed at $730 million and was recorded as Litigation expense on our Consolidated Statement of Operations and Comprehensive Income (Loss) for the year ended December 31, 2012.

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.

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

17. 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 includes intersegment eliminations recorded in consolidation.

	As of December 31, 2014	2013
	(In thousands)	
Total assets:		
DISH	$ 21,424,385	$ 19,694,655
Wireless (1)	7,577,894	4,625,505
Eliminations	(6,894,817)	(4,041,934)
Total assets from continuing operations	22,107,462	20,278,226
Assets from discontinued operations		78,204
Total assets	$ 22,107,462	$ 20,356,430

	DISH	Wireless (2)	All Other & Eliminations	Consolidated Total
		(In thousands)		
Year Ended December 31, 2014				
Total revenue	$ 14,643,049	$ 410	$ (72)	$ 14,643,387
Depreciation and amortization	1,006,082	71,854		1,077,936
Operating income (loss)	1,922,363	(97,912)		1,824,451
Interest income	376,422	15,384	(329,965)	61,841
Interest expense, net of amounts capitalized	(821,766)	(119,408)	329,965	(611,209)
Other, net	(9,414)	(59,927)		(69,341)
Income tax (provision) benefit, net	(436,753)	159,913		(276,840)
Income (loss) from continuing operations	1,030,851	(101,949)		928,902
Year Ended December 31, 2013				
Total revenue	$ 13,903,091	$ 1,774	$	$ 13,904,865
Depreciation and amortization	952,793	101,233		1,054,026
Operating income (loss)	1,938,998	(590,819)		1,348,179
Interest income	197,095	99,953	(148,183)	148,865
Interest expense, net of amounts capitalized	(742,207)	(150,961)	148,183	(744,985)
Other, net	42,719	342,137		384,856
Income tax (provision) benefit, net	(511,491)	211,665		(299,826)

Income (loss) from continuing operations		925,114		(88,026)			837,089
Year Ended December 31, 2012							
Total revenue	$	13,179,907	$	1,427	$		$ 13,181,334
Depreciation and amortization		922,534		41,950			964,484
Operating income (loss)		1,322,474		(64,116)			1,258,358
Interest income		148,526		64,576		(114,011)	99,091
Interest expense, net of amounts capitalized		(534,585)		(115,662)		114,011	(536,236)
Other, net		172,874		823			173,697
Income tax (provision) benefit, net		(380,758)		48,767			(331,991)
Income (loss) from continuing operations		728,531		(65,612)			662,919

(1) This increase in assets is primarily related to the acquisition of our H Block wireless spectrum licenses and the FCC auction deposits. See Note 16 for further discussion.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(2) The year ended December 31, 2012 reflects Wireless results from the acquisitions of DBSD North America and TerreStar on March 9, 2012 through December 31, 2012.

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

18. Valuation and Qualifying Accounts

Our valuation and qualifying accounts as of December 31, 2014, 2013 and 2012 were as follows:

Allowance for doubtful accounts	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions	Balance at End of Year
		(In thousands)		
For the years ended:				
December 31, 2014	$ 15,981	$ 156,318	$ (148,696)	$ 23,603
December 31, 2013	$ 13,834	$ 129,372	$ (127,225)	$ 15,981
December 31, 2012	$ 11,916	$ 117,117	$ (115,199)	$ 13,834

19. Quarterly Financial Data (Unaudited)

Our quarterly results of operations are summarized as follows:

	For the Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands, except per share data)			
Year ended December 31, 2014:				
Total revenue	$ 3,594,198	$ 3,688,119	$ 3,679,351	$ 3,681,719
Operating income (loss)	446,298	454,744	388,509	534,900
Income (loss) from continuing operations	170,817	207,129	143,035	407,921
Net income (loss)	170,817	207,129	143,035	407,921
Net income (loss) attributable to DISH Network	175,931	213,313	145,519	409,930

Basic net income (loss) per share attributable to DISH Network	$ 0.38	$ 0.46	$ 0.32	$ 0.89
Diluted net income (loss) per share attributable to DISH Network	$ 0.38	$ 0.46	$ 0.31	$ 0.88
Year ended December 31, 2013:				
Total revenue	$ 3,375,530	$ 3,485,774	$ 3,505,021	$ 3,538,540
Operating income (loss)	451,617	25,211	420,394	450,957
Income (loss) from continuing operations	212,234	(8,720)	343,324	290,251
Income (loss) from discontinued operations, net of tax	(1,558)	(6,354)	(32,334)	(7,097)
Net income (loss)	210,676	(15,074)	310,990	283,154
Net income (loss) attributable to DISH Network	215,598	(11,052)	314,908	288,038
Basic net income (loss) per share from continuing operations attributable to DISH Network	$ 0.48	$ (0.01)	$ 0.76	$ 0.64
Basic net income (loss) per share from discontinued operations		(0.01)	(0.07)	(0.01)
Basic net income (loss) per share attributable to DISH Network	$ 0.48	$ (0.02)	$ 0.69	$ 0.63
Diluted net income (loss) per share from continuing operations attributable to DISH Network	$ 0.48	$ (0.01)	$ 0.75	$ 0.64
Diluted net income (loss) per share from discontinued operations	(0.01)	(0.01)	(0.07)	(0.01)
Diluted net income (loss) per share attributable to DISH Network	$ 0.47	$ (0.02)	$ 0.68	$ 0.63

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

20. 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 described in Note 6 and below and Sling TV 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, 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.

Management Services Agreement. In connection with the Spin-off, we entered into a Management Services Agreement with EchoStar pursuant to which we have made certain of our officers available to provide services (which were primarily legal and accounting services) to EchoStar. Effective June 15, 2013, the Management Services Agreement was terminated by EchoStar. EchoStar made payments to us based upon an allocable portion of the personnel costs and expenses incurred by us with respect to any such officers (taking into account wages and fringe benefits). These allocations were based upon the estimated percentages of time spent by our executive officers performing services for EchoStar under the Management Services Agreement. EchoStar also reimbursed us for direct out-of-pocket costs incurred by us for management services provided to EchoStar. We and EchoStar

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

evaluated all charges for reasonableness at least annually and made any adjustments to these charges as we and EchoStar mutually agreed upon.

Satellite Capacity Leased to EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which EchoStar leases certain satellite 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, this sublease terminated during the fourth quarter 2014.

Satellite and transmission expenses

During the years ended December 31, 2014, 2013 and 2012, we incurred $653 million, $494 million and $425 million, respectively, for satellite and transmission expenses from EchoStar. These amounts are recorded in Satellite and transmission expenses on our 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.

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

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 *DBS 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 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.

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 16.

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 Consolidated Balance Sheets and recorded the amount in excess of EchoStar s net book value of $3 million as a 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

General and administrative expenses

During the years ended December 31, 2014, 2013 and 2012, we incurred $108 million, $90 million and $67 million, respectively, for general and administrative expenses from EchoStar. These amounts are recorded in General and administrative expenses on our Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below. In addition, the expenses incurred pursuant to the Commercial Agreement discussed in *Sling TV,* under Other Agreements EchoStar below, are also included in these amounts.

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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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.

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.

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.

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 term of the XiP Encryption Agreement is for a period until December 31, 2014. Under the XiP Encryption Agreement, we have 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.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 have 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 have 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 years ended December 31, 2014, 2013 and 2012, we purchased set-top boxes and other equipment from EchoStar of $1.114 billion, $1.242 billion and $1.005 billion, 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 Consolidated Balance Sheets or expensed as Subscriber acquisition costs on our 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) 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.

In light of the tax sharing agreement, among other things, and in connection with our consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter 2013, we and EchoStar agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS examination of these consolidated tax returns. As a result, we agreed to pay EchoStar $83 million of the tax benefit we received or will receive. This resulted in a reduction of our recorded unrecognized tax benefits and this amount was reclassified to a long-term payable to EchoStar within Long-term deferred revenue, distribution and carriage payments and other long-term liabilities on our Consolidated Balance Sheets during the third quarter 2013. Any payment to EchoStar, including accrued interest, will be made at such time as EchoStar would have otherwise

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

been able to realize such tax benefit. In addition, during the third quarter 2013, we and EchoStar agreed upon a tax sharing arrangement for filing certain combined state income tax returns and a method of allocating the respective tax liabilities between us and EchoStar for such combined returns, through the taxable period ending on December 31, 2017.

We and EchoStar file combined income tax returns in certain states. In 2014, EchoStar earned and recognized a tax benefit for certain state income tax credits that EchoStar estimates it would be unable to utilize in the future if it had filed separately from us. We expect to utilize these tax credits to reduce our state income tax payable in the future. In accordance with accounting rules that apply to transfers of assets between entities under common control, we recorded a capital contribution of $5 million in Additional paid-in capital on our Consolidated Balance Sheets, representing the amount that we estimate is more likely than not to be realized by us as a result of our utilization of these tax credits earned . Any payments made to EchoStar related to the utilization of these credits will be recorded as a reduction to Additional paid-in capital on our Consolidated Balance Sheets.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. (DISH Broadband), our wholly-owned subsidiary, was selected by the Rural Utilities Service (RUS) of the United States Department of Agriculture to receive up to approximately $14 million in broadband stimulus grant funds (the Grant Funds). Effective November 2011, DISH Broadband and HNS entered into a RUS Implementation Agreement (the RUS Agreement) pursuant to which HNS provided certain portions of the equipment and broadband service used to implement our RUS program. The RUS Agreement expired during June 2013, when the Grant Funds were exhausted. During the years ended December 31, 2013 and 2012, we expensed $3 million and $7 million, respectively, under the RUS Agreement, which is included in Cost of sales equipment, services and other on our Consolidated Statements of Operations and Comprehensive Income (Loss).

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 years ended December 31, 2014, 2013 and 2012, we paid $70 million, $32 million and $1 million, respectively, for these services from HNS, included in Subscriber-related expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

For the years ended December 31, 2014, 2013 and 2012, we purchased broadband equipment from HNS of $24 million, $59 million and $24 million, respectively. These amounts are initially included in Inventory and are subsequently capitalized as Property and equipment, net on our Consolidated Balance Sheets or expensed as Subscriber acquisition costs on our Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed. In addition, we 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.

Voom Settlement Agreement. On October 21, 2012, we entered into the Voom Settlement Agreement with Voom and Cablevision, and for certain limited purposes, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar. The Voom Settlement Agreement resolved the litigation between the parties relating to the Voom programming services. EchoStar was a party to the Voom Settlement Agreement solely for the purposes of executing a mutual release of claims with Voom, Cablevision, MSG Holdings, L.P. and The Madison Square Garden Company relating to the Voom programming services.

Radio Access Network Agreement. On November 29, 2012, we entered into an agreement with HNS pursuant to which HNS will construct for us a ground-based satellite radio access network (RAN) for a fixed fee. The completion of the RAN under this agreement was expected to occur on or before November 29, 2014. This agreement was terminated during the fourth quarter 2014. At that time, we had incurred $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 reimburses us for amounts we pay 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. In addition, under certain circumstances EchoStar had a right to receive a portion of the sale proceeds in the event T2 is sold to a third-party during or following the term of the T2 Development Agreement. Unless sooner terminated in accordance with its terms, the term of the T2 Development Agreement expired on the later of: (i) December 31, 2013, or (ii) the date on which the T2 ATP expires.

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 years ended December 31, 2014 and 2013, we received payments from EchoStar of approximately $13 million and $35 million, respectively, 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 between January 1, 2014 and (i) the expiration or earlier termination of the Amended and Restated T2 Development Agreement or (ii) December 19, 2014, whichever occurs sooner. Unless sooner terminated in accordance with its terms, the term of the Amended and Restated T2 Development Agreement expires on the later of: (a) December 19,

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

2014; or (b) the date on which the T2 ATP expires. 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 Consolidated Balance Sheet.

Sling TV. 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 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 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, OTT 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 Consolidated Balance Sheet. 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 Consolidated Balance Sheet. All services provided to Sling TV by EchoStar under the Commercial Agreement are recorded in General and administrative expenses on our Consolidated Statements of Operations and Comprehensive Income (Loss). See General and administrative expenses within the related party section previously discussed.

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 has a term of five years with automatic renewal for successive one year terms. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar. During the years ended December 31, 2014, 2013 and 2012, we paid $3 million, $2 million and $2 million, respectively, for these services from EchoStar, included in Subscriber-related expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

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 has a term of five years with automatic renewal for successive one year terms. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar. During the years ended December 31, 2014, 2013 and 2012, we paid $4 million, $3 million and $2 million, respectively, for these services from EchoStar, included in Subscriber-related expenses on the Consolidated Statements of Operations and Comprehensive Income (Loss).

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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) 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 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 Consolidated Balance Sheet. 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 CONSOLIDATED FINANCIAL STATEMENTS - Continued

Other Agreements

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 Consolidated Statements of Operations and Comprehensive Income (Loss). We record all payables in Trade accounts payable other or Other accrued expenses on our Consolidated Balance Sheets.

The table below summarizes our transactions with NagraStar.

	For the Years Ended December 31,		
	2014	2013 (In thousands)	2012
Purchases (including fees):			
Purchases from NagraStar	$ 84,636	$ 91,712	$ 72,549

	As of December 31, (In thousands)	
	2014	2013
Amounts Payable and Commitments:		
Amounts payable to NagraStar	$ 14,819	$ 20,954
Commitments to NagraStar	$ 12,368	$ 2,463