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

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014.**

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 333-179121

Hughes Satellite Systems Corporation
(Exact Name of Registrant as Specified in Its Charter)

Colorado (State or Other Jurisdiction of Incorporation or Organization)	**45-0897865** (I.R.S. Employer Identification No.)
100 Inverness Terrace East, Englewood, Colorado (Address of Principal Executive Offices)	**80112-5308** (Zip Code)

(303) 706-4000
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

As of August 1, 2014, the Registrant's outstanding common stock consisted of 1,000 shares of common stock, $0.01 par value per share.

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

* The registrant currently is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 and is filing this Quarterly Report on Form 10-Q on a voluntary basis. The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months as if it were subject to such filing requirements during the entirety of such period.

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

- our reliance on our primary customer, DISH Network Corporation ("DISH Network"), for a significant portion of our revenue;
- our ability to bring advanced technologies to market to keep pace with our competitors;
- significant risks related to the construction, launch and operation of our satellites, such as the risk of material malfunction on one or more of our satellites, changes in the space weather environment that could interfere with the operation of our satellites, and our general lack of commercial insurance coverage on our satellites;
- uncertainty in global economic conditions, which may, among other things, cause consumers and enterprise customers to defer purchases;
- the failure to adequately anticipate the need for satellite capacity or the inability to obtain satellite capacity for our Hughes segment; and
- the failure of third-party providers of components, manufacturing, installation services and customer support services to appropriately deliver the contracted goods or services.

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

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

PART I — FINANCIAL INFORMATION

Item 1.   FINANCIAL STATEMENTS

HUGHES SATELLITE SYSTEMS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	As of June 30, 2014	As of December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$ 267,266	$ 163,709
Marketable investment securities	204,035	116,860
Trade accounts receivable, net of allowance for doubtful accounts of $11,664 and $10,737, respectively	149,767	132,955
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	18,562	68,091
Inventory	53,718	56,993
Deferred tax assets	63,756	63,786
Prepaids and deposits	29,960	27,127
Advances to affiliates, net	954	740
Other current assets	10,303	27,389
Total current assets	798,321	657,650
Noncurrent Assets:		
Restricted cash and cash equivalents	18,200	15,114
Property and equipment, net of accumulated depreciation of $1,865,483 and $1,676,182, respectively	2,324,579	1,983,281
Regulatory authorizations	471,658	471,658
Goodwill	504,173	504,173
Other intangible assets, net	182,671	213,747
Other investments	29,854	30,212
Other noncurrent assets, net	176,217	165,976
Total noncurrent assets	3,707,352	3,384,161
Total assets	$ 4,505,673	$ 4,041,811
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 87,138	$ 91,000
Trade accounts payable - DISH Network	26	5
Current portion of long-term debt and capital lease obligations	48,715	67,300
Advances from affiliates, net	28,984	10,711
Deferred revenue and prepayments	55,975	55,086
Accrued compensation	20,839	19,741
Accrued expenses and other	83,183	84,561
Total current liabilities	324,860	328,404
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of current portion	2,339,103	2,351,572
Deferred tax liabilities	416,311	266,674
Advances from affiliates	8,287	8,221
Other noncurrent liabilities	96,419	62,122
Total noncurrent liabilities	2,860,120	2,688,589
Total liabilities	3,184,980	3,016,993
Commitments and Contingencies (Note 12)		
Shareholders' Equity:		
Preferred Stock, $0.001 par value; 1,000,000 shares authorized:		
Hughes Retail Preferred Tracking Stock, $0.001 par value; 300 shares authorized, 81.128 shares issued and outstanding	—	—
Common stock, $0.01 par value; 1,000,000 shares authorized:		
Common stock, $0.01 par value; 1,000,000 shares authorized, 1,000 shares issued and outstanding	—	—
Additional paid-in capital	1,360,201	1,106,463
Accumulated other comprehensive loss	(16,379)	(18,644)
Accumulated deficit	(32,966)	(71,862)
Total HSS shareholders' equity	1,310,856	1,015,957
Noncontrolling interests	9,837	8,861
Total shareholders' equity	1,320,693	1,024,818
Total liabilities and shareholders' equity	$ 4,505,673	$ 4,041,811

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

HUGHES SATELLITE SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Services and other revenue - other	$ 268,815	$ 247,346	$ 530,482	$ 488,717
Services and other revenue - DISH Network	128,861	70,818	228,105	130,637
Equipment revenue - other	53,666	54,345	95,498	103,839
Equipment revenue - DISH Network	6,329	25,362	17,899	37,233
Total revenue	457,671	397,871	871,984	760,426
Costs and Expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	132,969	122,883	265,315	244,413
Cost of sales - equipment (exclusive of depreciation and amortization)	52,791	67,873	100,197	123,581
Selling, general and administrative expenses	64,528	58,525	127,799	119,536
Research and development expenses	4,654	5,496	9,146	10,616
Depreciation and amortization	115,818	101,512	224,003	202,686
Impairment of long-lived asset	—	34,664	—	34,664
Total costs and expenses	370,760	390,953	726,460	735,496
Operating income	86,911	6,918	145,524	24,930
Other Income (Expense):				
Interest income	620	293	1,575	458
Interest expense, net of amounts capitalized	(48,595)	(49,406)	(97,342)	(99,030)
Equity in earnings of unconsolidated affiliate	1,244	572	2,014	604
Other, net (includes reclassification of realized gains on available-for-sale (“AFS”) securities out of accumulated other comprehensive loss of $2, $5, $10 and $22 respectively)	245	(1,188)	476	8,470
Total other expense, net	(46,486)	(49,729)	(93,277)	(89,498)
Income (loss) before income taxes	40,425	(42,811)	52,247	(64,568)
Income tax benefit (provision), net	(12,423)	15,806	(12,624)	28,211
Net income (loss)	28,002	(27,005)	39,623	(36,357)
Less: Net income attributable to noncontrolling interests	428	176	727	216
Net income (loss) attributable to HSS	$ 27,574	$ (27,181)	$ 38,896	$ (36,573)
Comprehensive Income (Loss):				
Net income (loss)	$ 28,002	$ (27,005)	$ 39,623	$ (36,357)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,161	(5,778)	3,351	(5,600)
Unrealized losses on AFS securities and other	(1,633)	(249)	(827)	(317)
Recognition of previously unrealized gains on AFS securities included in net income (loss)	(2)	(5)	(10)	(22)
Total other comprehensive income (loss), net of tax	(474)	(6,032)	2,514	(5,939)
Comprehensive income (loss)	27,528	(33,037)	42,137	(42,296)
Less: Comprehensive income (loss) attributable to noncontrolling interests	442	(470)	976	(408)
Comprehensive income (loss) attributable to HSS	$ 27,086	$ (32,567)	$ 41,161	$ (41,888)

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

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HUGHES SATELLITE SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(In thousands)
(Unaudited)

	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Noncontrolling Interests	Total
Balance, December 31, 2012	$ 1,100,276	$ (13,539)	$ (36,163)	$ 9,337	$ 1,059,911
Stock-based compensation	784	—	—	—	784
Other	1,610	—	—	(467)	1,143
Net income (loss)	—	—	(36,573)	216	(36,357)
Unrealized losses on AFS securities, net and other	—	(339)	—	—	(339)
Foreign currency translation adjustment	—	(4,976)	—	(624)	(5,600)
Balance, June 30, 2013	$ 1,102,670	$ (18,854)	$ (72,736)	$ 8,462	$ 1,019,542
Balance, December 31, 2013	$ 1,106,463	$ (18,644)	$ (71,862)	$ 8,861	$ 1,024,818
Stock-based compensation	1,300	—	—	—	1,300
Issuance of Hughes Retail Preferred Tracking Stock	252,990	—	—	—	252,990

(Note 2)					
Other, net	(552)	—	—	—	(552)
Net income	—	—	38,896	727	39,623
Unrealized gains on AFS securities, net and other	—	(837)	—	—	(837)
Foreign currency translation adjustment	—	3,102	—	249	3,351
Balance, June 30, 2014	$ 1,360,201	$ (16,379)	$ (32,966)	$ 9,837	$ 1,320,693

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

HUGHES SATELLITE SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2014	**2013**
Cash Flows from Operating Activities:		
Net income (loss)	$ 39,623	$ (36,357)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	224,003	202,686
Equity in earnings of unconsolidated affiliate	(2,014)	(604)
Amortization of debt issuance costs	2,853	2,651
Realized gains on marketable investment securities and other investments, net	(10)	(2,574)
Impairment of long-lived asset	—	34,664
Stock-based compensation	1,300	784
Deferred tax benefit	5,623	(31,759)
Changes in current assets and current liabilities, net	61,545	(37,834)
Changes in noncurrent assets and noncurrent liabilities, net	(6,663)	(3,112)
Other, net	3,447	(6,925)
Net cash flows from operating activities	329,707	121,620
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(163,798)	(35,964)
Sales and maturities of marketable investment securities	74,554	30,120
Purchases of property and equipment	(97,506)	(102,165)
Changes in restricted cash and cash equivalents	(3,086)	7,961
Other, net	(12,316)	(4,613)
Net cash flows from investing activities	(202,152)	(104,661)
Cash Flows from Financing Activities:		
Repayment of long-term debt and capital lease obligations	(34,604)	(35,172)
Net proceeds from issuance of Hughes Retail Preferred Tracking Stock (Note 2)	10,601	—
Other	(1,907)	816
Net cash flows from financing activities	(25,910)	(34,356)
Effect of exchange rates on cash and cash equivalents	1,912	94
Net increase in cash and cash equivalents	103,557	(17,303)
Cash and cash equivalents, beginning of period	163,709	136,219
Cash and cash equivalents, end of period	$ 267,266	$ 118,916
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 93,468	$ 98,275
Cash paid for income taxes	$ 4,978	$ 4,882
Satellites and other assets financed under capital lease obligations	$ 1,382	$ 1,249
Capitalized in-orbit obligations	$ —	$ 18,000
Transfer of regulatory authorization to DISH Network included in accounts receivable	$ —	$ 23,000
Reduction of capital lease obligation for AMC-16	$ —	$ 6,694
Increase (decrease) in capital expenditures included in accounts payable	$ (1,169)	$ (9,304)
Net assets transferred from DISH Network in exchange for HSS Tracking Stock (Note 2)	$ 71,048	$ —
Net assets transferred from EchoStar related to Tracking Stock Transaction (Note 2)	$ 315,643	$ —

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

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

Note 1. Organization and Business Activities

Principal Business

Hughes Satellite Systems Corporation (together with its subsidiaries is referred to as "HSS," the "Company," "we," "us" and/or "our") is a holding company and a subsidiary of EchoStar Corporation ("EchoStar"). We are a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments.

We currently operate in two business segments.

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

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

We were formed as a Colorado corporation in March 2011 to facilitate the acquisition (the "Hughes Acquisition") of Hughes Communications, Inc. and its subsidiaries ("Hughes Communications") and related financing transactions. In connection with our formation, EchoStar contributed the assets and liabilities of its satellite services business, including its principal operating subsidiary of its satellite services business, EchoStar Satellite Services L.L.C., to us. As a result of the Satellite and Tracking Stock Transaction described in Note 2 below, effective March 1, 2014, we issued to DISH Network shares of our newly authorized preferred tracking stock representing a 28.11% economic interest in the residential retail satellite broadband business of our Hughes segment.

Note 2. Hughes Retail Preferred Tracking Stock

Satellite and Tracking Stock Transaction

On February 20, 2014, HSS and EchoStar entered into agreements with certain subsidiaries of DISH Network pursuant to which effective March 1, 2014, (i) EchoStar issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the "EchoStar Tracking Stock") and HSS issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the "HSS Tracking Stock" and together with the EchoStar Tracking Stock, the "Tracking Stock") to DISH Network in exchange for five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV) (including the assumption of related in-orbit incentive obligations) and $11.4 million in cash and (ii) DISH Network began receiving certain satellite services on these five satellites from us (the "Satellite and Tracking Stock Transaction"). Immediately upon receipt of net assets (consisting of two of the five satellites and related in-orbit incentive obligations) from DISH Network in exchange for EchoStar Tracking Stock, EchoStar transferred such net assets to us. The Tracking Stock tracks the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the "Hughes Retail Group" or "HRG").

HSS has adopted a policy statement (the "Policy Statement") setting forth management and allocation policies for purposes of attributing all of the business and operations of HSS to either the Hughes Retail Group or the "HSSC

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Group", which is defined as all other operations of HSS, including all existing and future businesses, other than the Hughes Retail Group. Among other things, the Policy Statement governs how assets, liabilities, revenue and expenses are attributed or allocated between HRG and the HSSC Group. Such attributions and allocations generally do not affect the amounts reported in our consolidated financial statements, except for the attribution of shareholders' equity and net income or loss between the holders of Tracking Stock and common stock. The Policy Statement also does not significantly affect the way that management assesses operating performance and allocates resources within our Hughes segment.

See Note 8 for information about the five satellites received from DISH Network, Note 12 for information about the assumed in-orbit incentive obligations, and Note 14 for information regarding the related satellite services agreements with DISH Network. We provide unaudited attributed financial information for HRG and the HSSC Group in an exhibit to our periodic reports on Form 10-Q and Form 10-K. Set forth below is information about certain terms of the Tracking Stock and the initial recording of the Satellite and Tracking Stock Transaction in our consolidated financial statements.

Description of the Tracking Stock

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

Investor Rights Agreement

In connection with the Satellite and Tracking Stock Transaction, EchoStar, HSS and DISH Network entered into an agreement (the "Investor Rights Agreement") setting forth certain rights and obligations of the parties with respect to the Tracking Stock. Among other provisions, the Investor Rights Agreement provides: (i) certain information and consultation rights for DISH Network; (ii) certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfer of the Tracking Stock until March 1, 2015), with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to EchoStar in connection with a change of control of DISH Network 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; and (iii) certain protective covenants afforded to holders of the Tracking Stock.

In addition, the Investor Rights Agreement provides that DISH Network may, on or after September 1, 2016, require EchoStar to use its commercially reasonable efforts to register some or all of the outstanding shares of the Tracking

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

Initial Recording of the Satellite and Tracking Stock Transaction

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

	Net Assets Transferred (In thousands)
Cash	$ 11,404
Property and equipment, net	432,080
Current liabilities	(6,555)
Noncurrent liabilities	(38,834)
Transferred net assets	$ 398,095

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

	Increase (Decrease) in Equity (In thousands)
Transferred net assets	$ 398,095
Offering costs, net of tax	(609)
Deferred income taxes	(144,496)
Net increase in shareholders' equity	$ 252,990

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of

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the information and notes required for complete financial statements prepared in accordance with GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling interest and variable interest entities where we are the primary beneficiary. For entities we control but do not wholly own, we record a noncontrolling interest within shareholders' equity for the portion of the entity's equity attributed to the noncontrolling ownership interests. We use the equity method to account for investments in entities that we do not control but have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of the investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Fair Value Measurements

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

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with reasonably available assumptions made by other participants, therefore requiring assumptions based on the best information available.

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

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

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

Fair values for our publicly traded long-term debt are based on quoted market prices in less active markets and are categorized as Level 2 measurements. The fair values of our privately held debt are Level 2 measurements and are estimated to approximate their carrying amounts based on the proximity of their interest rates to current market rates. See Note 10 for the fair value of our long-term debt. As of June 30, 2014 and December 31, 2013, the fair values of our orbital incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of $89.0 million and $48.4 million, respectively. We use fair value measurements from time-to-time in connection with impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies that typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

New Accounting Pronouncements

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

Note 4. Other Comprehensive Income (Loss) and Related Tax Effects

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

Accumulated other comprehensive loss includes cumulative foreign currency translation losses of $17.5 million and $20.6 million as of June 30, 2014 and December 31, 2013, respectively.

Note 5. Investment Securities

Our marketable investment securities and other investments consisted of the following:

	As of June 30, 2014	As of December 31, 2013
	(In thousands)	
Marketable investment securities—current:		
Corporate bonds	$ 188,935	$ 97,807
VRDNs	4,580	7,460
Strategic equity security	5,969	7,159
Other	4,551	4,434
Total marketable investment securities—current	204,035	116,860
Other investments—noncurrent:		
Cost method	15,438	15,438
Equity method	14,416	14,774
Total other investments—noncurrent	29,854	30,212
Total marketable and other investments	$ 233,889	$ 147,072

Marketable Investment Securities

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

Corporate Bonds

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

Variable Rate Demand Notes ("VRDNs")

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

Strategic Equity Securities

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

Other

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

Other Investments - Noncurrent

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

Unrealized Gains (Losses) on Marketable Investment Securities

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
	(In thousands)			

As of June 30, 2014								
Debt securities:								
Corporate bonds	$	188,968	$	49	$	(82)	$	188,935
VRDNs		4,580		—		—		4,580
Other		4,551		—		—		4,551
Equity security - strategic		4,834		1,135		—		5,969
Total marketable investment securities	$	202,933	$	1,184	$	(82)	$	204,035
As of December 31, 2013								
Debt securities:								
Corporate bonds	$	97,846	$	25	$	(64)	$	97,807
VRDNs		7,460		—		—		7,460
Other		4,433		1		—		4,434
Equity security - strategic		4,834		2,325		—		7,159
Total marketable investment securities	$	114,573	$	2,351	$	(64)	$	116,860

As of June 30, 2014, restricted and non-restricted marketable investment securities included debt securities of $140.3 million with contractual maturities of one year or less and $57.7 million with contractual maturities greater than one year. We may realize proceeds from certain investments prior to their contractual maturity as a result of our ability to sell these securities prior to their contractual maturity.

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that our available-for-sale securities have been in an unrealized loss position. We do not intend to sell these securities before they recover or mature, and it is more likely than not that we will hold these securities until they recover or mature. In addition, we are not aware of any specific factors indicating that the underlying issuers of these 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 securities are primarily related to temporary market fluctuations.

	As of							
	June 30, 2014				December 31, 2013			
	Fair Value		Unrealized Loss		Fair Value		Unrealized Loss	
	(In thousands)							
Less than 12 months	$	126,480	$	(82)	$	75,987	$	(64)
12 months or more		—		—		—		—
Total	$	126,480	$	(82)	$	75,987	$	(64)

Realized Gains (Losses) on Marketable Investment Securities

We recognized minimal gains from the sales of our available-for-sale marketable investment securities for the three and six months ended June 30, 2014, respectively, and minimal and $2.6 million for the three and six months ended June 30, 2013, respectively. We did not recognize any losses from the sales of our available-for-sale marketable investment securities for each of the three or six months ended June 30, 2014 and 2013.

Proceeds from sales of our available-for-sale marketable investment securities totaled $0.1 million and $0.1 million for the three and six months ended June 30, 2014, respectively, and $3.0 million and $5.1 million for the three and six months ended June 30, 2013, respectively.

Fair Value Measurements

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

	As of											
	June 30, 2014						December 31, 2013					
	Total		Level 1		Level 2		Total		Level 1		Level 2	
	(In thousands)											
Cash equivalents	$	215,970	$	11	$	215,959	$	115,635	$	8,665	$	106,970
Debt securities:												
Corporate bonds	$	188,935	$	—	$	188,935	$	97,807	$	—	$	97,807
VRDNs		4,580		—		4,580		7,460		—		7,460
Other		4,551		—		4,551		4,434		—		4,434
Equity security - strategic		5,969		5,969		—		7,159		7,159		—
Total marketable investment securities	$	204,035	$	5,969	$	198,066	$	116,860	$	7,159	$	109,701

Note 6. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of			
	June 30, 2014		December 31, 2013	
	(In thousands)			
Trade accounts receivable	$	151,877	$	136,063
Contracts in process, net		9,554		7,629
Total trade accounts receivable		161,431		143,692

Allowance for doubtful accounts	(11,664)	(10,737)
Trade accounts receivable - DISH Network	18,562	68,091
Total trade accounts receivable, net	$ 168,329	$ 201,046

As of June 30, 2014 and December 31, 2013, progress billings offset against contracts in process amounted to $13.0 million and $2.6 million, respectively.

Note 7. Inventory

Our inventory consisted of the following:

	As of June 30, 2014	As of December 31, 2013
	(In thousands)	
Finished goods	$ 40,337	$ 45,068
Raw materials	5,394	5,871
Work-in process	7,987	6,054
Total inventory	$ 53,718	$ 56,993

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Note 8. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of June 30, 2014	As of December 31, 2013
		(In thousands)	
Land	—	$ 11,668	$ 11,663
Buildings and improvements	1 - 30	73,192	72,559
Furniture, fixtures, equipment and other	1 - 12	322,013	296,896
Customer rental equipment	2 - 4	436,998	374,689
Satellites - owned	2 - 15	2,381,120	1,949,040
Satellites acquired under capital leases	10 - 15	935,104	935,104
Construction in progress	—	29,967	19,512
Total property and equipment		4,190,062	3,659,463
Accumulated depreciation		(1,865,483)	(1,676,182)
Property and equipment, net		$ 2,324,579	$ 1,983,281

As of June 30, 2014, our owned satellites included $432.1 million for the five satellites we received from DISH Network as part of the Satellite and Tracking Stock Transaction discussed in Note 2. This amount represents the net carrying amount of those satellites in DISH Network's consolidated financial statements as of February 28, 2014, the day prior to the effective date of the Satellite and Tracking Stock Transaction. Accumulated depreciation for those satellites as of June 30, 2014 was $15.9 million, representing depreciation expense recognized in our consolidated financial statements for the period subsequent to the effective date of the Satellite and Tracking Stock Transaction.

Construction in progress consisted of the following:

	As of June 30, 2014	As of December 31, 2013
	(In thousands)	
Progress amounts for satellite construction, including certain amounts prepaid under satellite service agreements and launch costs:		
EUTELSAT 65WA	$ 10,337	$ —
Other	100	100
Uplinking equipment	6,660	3,362
Other	12,870	16,050
Construction in progress	$ 29,967	$ 19,512

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

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
	(In thousands)			
Satellites	$ 55,576	$ 46,529	$ 103,139	$ 93,073
Furniture, fixtures, equipment and other	12,327	12,394	25,105	25,108
Customer rental equipment	29,016	23,793	56,908	47,080
Buildings and improvements	1,325	1,245	2,771	2,485
Total depreciation expense	$ 98,244	$ 83,961	$ 187,923	$ 167,746

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Satellites

As of June 30, 2014, we utilized 17 of our owned and leased satellites in geosynchronous orbit, approximately 22,300 miles above the equator. Four of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over the terms of the satellite service agreements. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite.

Information for our satellite fleet is presented below.

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

(1) See Note 14 for further discussion of our transactions with DISH Network.
(2) Depreciable life represents the remaining useful life as of March 1, 2014, the effective date of our receipt of the satellites from DISH Network as part of the Satellite and Tracking Stock Transaction (See Note 2).
(3) Fully depreciated assets.
(4) These satellites are accounted for as capital leases and their launch dates represent dates that the satellites were placed into service.
(5) Depreciable life represents the remaining useful life as of the date of the Hughes Acquisition.
(6) Depreciable life represents the remaining useful life as of June 30, 2013, the date EchoStar XII was impaired.

Recent Developments

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

EchoStar XIX. In February 2012 and September 2013, ViaSat and its subsidiary ViaSat Communications filed lawsuits in the U.S. District Court for the Southern District of California against Space Systems Loral, LLC ("SSL"), the manufacturer of EchoStar XVII and EchoStar XIX. In the first-filed case, ViaSat alleged, among other things, that SSL infringed three patents and breached its contractual obligations through the use of such patented technology to manufacture EchoStar XVII. A jury trial was held in that case in March and April 2014, and the jury found that in connection with EchoStar XVII, SSL directly infringed the asserted patents and that SSL breached certain agreements with ViaSat. While we are not a party to this matter, the adverse decision against SSL may have an impact on our ability to make use of EchoStar XIX or other satellites from SSL and may adversely affect our business operations and results of operations. Until there are further developments in the case, including rulings on post-trial motions and appeals, we cannot determine whether there will be an adverse impact and, if so, the extent of any such impact.

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

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

Satellite Anomalies

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

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

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

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

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

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

EchoStar XI. During the first quarter of 2012, DISH Network determined that EchoStar XI experienced solar array anomalies that reduced the total power available for use by the satellite. While these anomalies did not impact

commercial operation of the satellite, there can be no assurance that future anomalies will not reduce its useful life or impact its commercial operation.

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

Satellite Impairments

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies discussed above, and previously disclosed, may be considered to represent a significant adverse change in the physical condition of a particular satellite. However, based on the redundancy designed within each satellite, certain of these anomalies are not necessarily considered to be significant events that would require a test of recoverability. There have been no satellite impairments in 2014 as of the date of this report.

EchoStar XII. Prior to 2010, EchoStar XII experienced anomalies resulting in the loss of electrical power available from its solar arrays. In September 2012, November 2012, and January 2013, EchoStar XII experienced additional solar array anomalies, which further reduced the electrical power available to operate EchoStar XII. An engineering analysis completed in the second quarter of 2013 indicated further loss of available electrical power and resulting capacity loss was likely. As a result, we recognized a $34.7 million impairment loss in the second quarter of 2013. Additional solar array anomalies are likely, and if they occur, they will continue to degrade the operational capability of EchoStar XII and could lead to additional impairment charges in the future. EchoStar XII has experienced no additional electrical power loss or solar array anomalies in 2014 as of the date of this report.

Note 9.   Goodwill and Other Intangible Assets

Goodwill

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

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

Other Intangible Assets

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

	Weighted Average Useful life (in Years)	As of					
		June 30, 2014			December 31, 2013		
		Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
				(In thousands)			

Customer relationships	8	$ 270,300	$ (145,392)	$ 124,908	$ 270,300	$ (129,022)	$ 141,278
Contract-based	4	64,800	(58,223)	6,577	64,800	(49,132)	15,668
Technology-based	6	51,417	(26,431)	24,986	51,417	(22,147)	29,270
Trademark portfolio	20	29,700	(4,579)	25,121	29,700	(3,836)	25,864
Favorable leases	4	4,707	(3,628)	1,079	4,707	(3,040)	1,667
Total other intangible assets		$ 420,924	$ (238,253)	$ 182,671	$ 420,924	$ (207,177)	$ 213,747

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the

business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Amortization expense was $15.0 million and $17.6 million for the three months ended June 30, 2014 and 2013, respectively, and $31.1 million and $34.9 million for the six months ended June 30, 2014 and 2013, respectively.

Note 10. Debt and Capital Lease Obligations

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

	As of			
	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
6 1/2% Senior Secured Notes due 2019	$ 1,100,000	$ 1,226,500	$ 1,100,000	$ 1,193,500
7 5/8% Senior Notes due 2021	900,000	1,030,500	900,000	1,001,250
Other	1,267	1,267	1,496	1,496
Subtotal	2,001,267	$ 2,258,267	2,001,496	$ 2,196,246
Capital lease obligations (1)	386,551		417,376	
Total debt and capital lease obligations	2,387,818		2,418,872	
Less: Current portion	(48,715)		(67,300)	
Long-term portion of debt and capital lease obligations	$ 2,339,103		$ 2,351,572	

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

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

Note 11. Income Taxes

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

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

Income tax expense was approximately $12.6 million for the six months ended June 30, 2014 compared to an income tax benefit of $28.2 million for the six months ended June 30, 2013. Our effective income tax rate was 24.2% for the six months ended June 30, 2014 compared to 43.7% for the same period in 2013. The variation in our current year effective tax rate from a U.S. federal statutory rate for the current period was primarily due to a lower state effective tax rate. For the same period in 2013, the variation in our effective tax rate from a U.S. federal statutory rate was primarily due to the current year research and experimentation credits and reinstatement of the research and experimentation tax credit for 2012, as provided by the American Taxpayer Relief Act enacted on January 2, 2013.

Note 12. Commitments and Contingencies

Commitments

As of June 30, 2014, our satellite-related obligations were approximately $771.8 million. Our satellite-related obligations primarily include, among other things, payments pursuant to launch services contracts, executory costs for our capital lease satellites, costs under transponder agreements and in-orbit incentives relating to certain satellites, including certain satellites received from DISH Network as a result of the Satellite and Tracking Stock Transaction.

Contingencies

Separation Agreement

In 2008, DISH Network Corporation contributed its digital set-top box business and certain infrastructure and other assets, including certain of its satellites, uplink and satellite transmission assets, real estate, and other assets and related liabilities to EchoStar (the "Spin-off"). In connection with the Spin-off, EchoStar entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar 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 DISH Network will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network's acts or omissions following the Spin-off.

Litigation

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

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

California Institute of Technology

On October 1, 2013, the California Institute of Technology ("Caltech") filed suit against two of our indirect wholly-owned subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC, as well as against DISH Network, DISH Network L.L.C., and dishNET Satellite Broadband L.L.C., in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833, each of which is entitled "Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes." Caltech appears to assert that encoding data as specified by the DVB-S2 standard infringes each of the

asserted patents. In the operative Amended Complaint, served on March 6, 2014, Caltech claims that the Hopper™ set-top box, as well as certain of our Hughes segment's satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard.

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

Network Acceleration Technologies, LLC

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

TQ Beta LLC

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

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

TQP Development, LLC

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

Other

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

Note 13. Segment Reporting

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

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

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

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

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

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
For the Three Months Ended June 30, 2014				
External revenue	$ 329,795	$ 127,742	$ 134	$ 457,671
Intersegment revenue	$ 463	$ 797	$ (1,260)	$ —
Total revenue	$ 330,258	$ 128,539	$ (1,126)	$ 457,671
EBITDA	$ 90,316	$ 112,228	$ 1,246	$ 203,790
Capital expenditures (1)	$ 51,505	$ —	$ —	$ 51,505
For the Three Months Ended June 30, 2013				
External revenue	$ 313,748	$ 84,079	$ 44	$ 397,871
Intersegment revenue	$ 1,200	$ 793	$ (1,993)	$ —
Total revenue	$ 314,948	$ 84,872	$ (1,949)	$ 397,871
EBITDA	$ 73,394	$ 33,667	$ 577	$ 107,638
Capital expenditures (1)	$ 45,493	$ 60	$ —	$ 45,553
For the Six Months Ended June 30, 2014				
External revenue	$ 644,166	$ 227,614	$ 204	$ 871,984
Intersegment revenue	$ 863	$ 1,746	$ (2,609)	$ —
Total revenue	$ 645,029	$ 229,360	$ (2,405)	$ 871,984
EBITDA	$ 172,255	$ 197,010	$ 2,025	$ 371,290
Capital expenditures (1)	$ 97,477	$ 29	$ —	$ 97,506
For the Six Months Ended June 30, 2013				
External revenue	$ 602,929	$ 157,425	$ 72	$ 760,426
Intersegment revenue	$ 1,418	$ 1,649	$ (3,067)	$ —
Total revenue	$ 604,347	$ 159,074	$ (2,995)	$ 760,426
EBITDA	$ 137,375	$ 98,473	$ 626	$ 236,474
Capital expenditures (1)	$ 89,833	$ 12,332	$ —	$ 102,165

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

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

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2014		2013		2014		2013	
	(In thousands)							
EBITDA	$	203,790	$	107,638	$	371,290	$	236,474
Interest income and expense, net	$	(47,975)		(49,113)	$	(95,767)		(98,572)
Depreciation and amortization	$	(115,818)		(101,512)	$	(224,003)		(202,686)
Net income attributable to noncontrolling interests	$	428		176		727		216
Income (loss) before income taxes	$	40,425	$	(42,811)	$	52,247	$	(64,568)

Note 14. Related Party Transactions

EchoStar

We and EchoStar have agreed that we shall have the right, but not the obligation, to receive from EchoStar certain corporate services, including among other things: treasury, tax, accounting and reporting, risk management, legal, internal audit, human resources, and information technology. In addition, we occupy certain office space in buildings owned by EchoStar and pay a portion of the taxes, insurance, utilities and maintenance of the premises in accordance with the percentage of the space we occupy. These services are provided at cost. We may terminate a particular service we receive from EchoStar for any reason upon at least 30 days' notice. We recorded expenses for services received from EchoStar of $3.4 million and $2.4 million for the three months ended June 30, 2014 and 2013, respectively, and $6.2 and $5.0 million for the six months ended June 30, 2014 and 2013, respectively.

DISH Network

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

In connection with and following the Spin-off, EchoStar and DISH Network have entered into certain agreements pursuant to which we and EchoStar obtain certain products, services and rights from DISH Network; DISH Network obtains certain products, services and rights from us and EchoStar; and we and DISH Network have indemnified each other against certain liabilities arising from our respective businesses. EchoStar also may enter into additional agreements with DISH Network in the future.

Generally, the amounts DISH Network pays for products and services provided under the agreements are based on our cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided.

The following is a summary of terms of the principal agreements that we or EchoStar have entered into with DISH Network that may have an impact on our financial position and results of operations

"Services and other revenue — DISH Network"

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

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EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV. As part of the Satellite and Tracking Stock Transaction discussed in Note 2, on March 1, 2014, we began providing certain satellite services to DISH Network on the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. The term of each satellite services agreement generally terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each satellite 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. In May 2013, DISH Network began receiving satellite services from us on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this satellite services arrangement converted to a month-to-month service agreement. Both parties have the right to terminate this agreement upon 30 days' notice.

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

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

EchoStar XVI. During December 2009, we entered into an initial ten-year transponder service agreement with DISH Network to receive satellite services from us on EchoStar XVI, a DBS satellite. Effective December 21, 2012, we and DISH Network amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. Prior to expiration of the initial term, we, upon certain conditions, and DISH Network have the option to renew for an additional six-year period. If either we or DISH Network exercise our respective six-year renewal options, DISH Network has the option to renew for an additional five-year period prior to expiration of the then-current term. There can be no assurance that any option to renew this agreement will be exercised. We began to provide satellite services on EchoStar XVI to DISH Network in January 2013.

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

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

Under the terms of the DISH Nimiq 5 Agreement, DISH Network makes certain monthly payments to us that commenced in September 2009 when the Nimiq 5 satellite was placed into service and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire ten years following the date it was placed into service. Upon expiration of the initial term, DISH Network has the option to renew the DISH Nimiq 5 Agreement on a year-to-year basis through the end of life of the

Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

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

Under the terms of our contractual arrangements with DISH Network, we began to provide service to DISH Network on the QuetzSat-1 satellite in February 2013 and will continue to provide service through the remainder of the service term. Unless extended or earlier terminated under the terms and conditions of our agreement with DISH Network for the QuetzSat-1 satellite, the initial service term will expire in November 2021. Upon expiration of the initial service term, DISH Network has the option to renew the agreement for the QuetzSat-1 satellite on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon an in-orbit failure or end of life of the

QuetzSat-1 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

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

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

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

In connection with the Satellite and Tracking Stock Transaction, on February 20, 2014, we amended the TT&C Agreement to cease the provision of TT&C services to DISH Network for the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. Effective March 1, 2014, we provide TT&C services for the D-1 satellite.

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

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

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

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. ("DISH Broadband"), DISH Network's wholly-owned subsidiary, was selected by the Rural Utilities Service ("RUS") of the United States Department of Agriculture to receive up to approximately $14.1 million in broadband stimulus grant funds (the "Grant Funds"). Effective November 2011, HNS and DISH Broadband entered into a RUS Implementation Agreement (the "RUS Agreement") pursuant to which HNS provides certain portions of the equipment and broadband service used to implement DISH Broadband's RUS program. The RUS Agreement expired in June 2013 when the Grant Funds were exhausted.

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

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

DBSD North America Agreement. On March 9, 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America, Inc. ("DBSD North America"). Prior to DISH Network's acquisition

of DBSD North America and our completion of the Hughes Acquisition, DBSD North America and HNS entered into an agreement pursuant to which our Hughes segment provides, among other things, hosting, operations and maintenance services of DBSD North America's satellite gateway and associated ground infrastructure. This agreement was renewed for a one-year period ending on February 15, 2015, and renews for two successive one-year periods unless terminated by DBSD North America upon at least 30 days' notice prior to the expiration of any renewal term.

"Cost of sales — services and other — DISH Network"

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

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

"General and administrative expenses — DISH Network"

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

Professional Services Agreement. In connection with the Spin-off, EchoStar entered into various agreements with DISH Network including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional

Services Agreement. During 2009, EchoStar and DISH Network agreed that EchoStar shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under the Transition Services Agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, EchoStar and DISH Network agreed that DISH Network shall continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement), receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. A portion of these costs and expenses have been allocated to us in the manner described above under the caption "EchoStar." The Professional Services Agreement automatically renewed on January 1, 2014 for an additional one-year period and renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days' notice. However, either party may terminate the Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice.

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

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

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"Other agreements — DISH Network"

Tax Sharing Agreement. As a subsidiary of EchoStar, we are an indirect party to EchoStar's tax sharing agreement with DISH Network that was entered into in connection with the Spin-off. This agreement governs EchoStar and DISH Network's respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network, and DISH Network will indemnify EchoStar for such taxes. However, DISH Network is 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 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 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 will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

In light of the tax sharing agreement, among other things, and in connection with EchoStar's consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter of 2013, EchoStar and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of EchoStar's consolidated tax returns. As a result, DISH Network agreed to pay EchoStar an amount that includes $93.1 million of the federal tax benefit they received as a result of our operations.

Other Agreements

Hughes Systique Corporation ("Hughes Systique")

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

Dish Mexico

During 2008, EchoStar entered into a joint venture for a direct-to-home satellite service in Mexico known as Dish Mexico. Pursuant to these arrangements, we provide certain satellite capacity to Dish Mexico. We recognized satellite services revenue from Dish Mexico of $5.8 million and $6.4 million for the three months ended June 30, 2014 and 2013, respectively, and $11.7 million and $11.0 million for the six months ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and December 31, 2013, our accounts receivable balance due from Dish Mexico was $4.0 million and $3.5 million, respectively.

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Deluxe/EchoStar LLC

We own 50% of Deluxe/EchoStar LLC ("Deluxe"), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. We account for our investment in Deluxe using the equity method. We recognized revenue from Deluxe for transponder services and the sale of broadband equipment of $0.8 million and $0.5 million for the three months ended June 30, 2014 and 2013, respectively, and $1.7 million and $0.9 million for the six months ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and December 31, 2013, we had receivables from Deluxe of approximately $1.0 million and $1.1 million, respectively.

Note 15. Supplemental Guarantor and Non-Guarantor Financial Information

Certain of our wholly-owned subsidiaries (together, the "Guarantor Subsidiaries") have fully and unconditionally guaranteed, on a joint and several basis, the obligations of our 6 1/2% senior secured notes due 2019 and 7 5/8 % senior notes due 2021 (collectively, the "Notes"), which were issued on June 1, 2011. See Note 10 for further information on the Notes.

In lieu of separate financial statements of the Guarantor Subsidiaries, condensed consolidating financial information prepared in accordance with Rule 3-10(f) of Regulation S-X is presented below, including the condensed balance sheet information, the condensed statement of operations and comprehensive income (loss) information and the condensed statement of cash flows information of HSS, the Guarantor Subsidiaries on a combined basis and the non-guarantor subsidiaries of HSS on a combined basis and the eliminations necessary to arrive at the corresponding information of HSS on a consolidated basis.

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

The condensed consolidating financial information presented below should be read in conjunction with our Condensed Consolidated Financial Statements and notes thereto included herein.

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Condensed Consolidating Balance Sheet as of June 30, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 205,088	$ 38,013	$ 24,165	$ —	$ 267,266
Marketable investment securities	198,066	5,969	—	—	204,035
Trade accounts receivable, net	—	100,076	49,691	—	149,767
Trade accounts receivable - DISH Network, net	—	18,502	60	—	18,562
Advances to affiliates, net	164,755	—	—	(163,801)	954
Inventory	—	44,651	9,067	—	53,718
Other current assets	95	83,113	25,291	(4,480)	104,019
Total current assets	568,004	290,324	108,274	(168,281)	798,321
Restricted cash and cash equivalents	10,066	7,500	634	—	18,200
Property and equipment, net	—	2,288,812	35,767	—	2,324,579
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	182,671	—	—	182,671
Investment in subsidiaries	—	73,912	—	(73,912)	—
Advances to affiliates	2,750,046	1,716	—	(2,751,762)	—
Other noncurrent assets, net	42,022	153,588	10,461	—	206,071
Total assets	$ 3,370,138	$ 3,974,354	$ 155,136	$ (2,993,955)	$ 4,505,673
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ —	$ 70,495	$ 16,643	$ —	$ 87,138
Trade accounts payable - DISH Network	—	26	—	—	26
Current portion of long-term debt and capital lease obligations	—	46,927	1,788	—	48,715
Advances from affiliates, net	—	46,670	16,896	(34,582)	28,984
Accrued expenses and other	47,584	93,582	23,311	(4,480)	159,997
Total current liabilities	47,584	257,700	58,638	(39,062)	324,860
Long-term debt and capital lease obligations, net of current portion	2,000,000	337,150	1,953	—	2,339,103
Advances from affiliates	—	2,749,346	10,703	(2,751,762)	8,287
Other noncurrent liabilities	11,698	500,939	93	—	512,730
Total HSS shareholders' equity (deficit)	1,310,856	129,219	73,912	(203,131)	1,310,856
Noncontrolling interests	—	—	9,837	—	9,837
Total liabilities and shareholders' equity	$ 3,370,138	$ 3,974,354	$ 155,136	$ (2,993,955)	$ 4,505,673

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Condensed Consolidating Balance Sheet as of December 31, 2013
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 97,674	$ 34,340	$ 31,695	$ —	$ 163,709
Marketable investment securities	109,702	7,158	—	—	116,860
Trade accounts receivable, net	—	86,726	46,229	—	132,955
Trade accounts receivable - DISH Network, net	—	68,037	54	—	68,091
Advances to affiliates, net	158,763	—	—	(158,023)	740
Inventory	—	47,021	9,972	—	56,993
Other current assets	38	99,888	22,856	(4,480)	118,302
Total current assets	366,177	343,170	110,806	(162,503)	657,650
Restricted cash and cash equivalents	7,004	7,500	610	—	15,114
Property and equipment, net	—	1,961,103	22,178	—	1,983,281
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	213,747	—	—	213,747
Investment in subsidiaries	—	65,453	—	(65,453)	—
Advances to affiliates	2,645,266	1,716	—	(2,646,982)	—
Other noncurrent assets, net	44,875	140,107	11,206	—	196,188
Total assets	$ 3,063,322	$ 3,708,627	$ 144,800	$ (2,874,938)	$ 4,041,811
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ —	$ 78,093	$ 12,907	$ —	$ 91,000
Trade accounts payable - DISH Network	5	—	—	—	5
Current portion of long-term debt and capital lease obligations	—	65,430	1,870	—	67,300
Advances from affiliates, net	—	295,562	18,509	(303,360)	10,711
Accrued expenses and other	47,359	91,254	25,255	(4,480)	159,388
Total current liabilities	47,364	530,339	58,541	(307,840)	328,404
Long-term debt and capital lease obligations, net of current portion	2,000,000	350,597	975	—	2,351,572
Advances from affiliates	—	2,644,566	10,637	(2,646,982)	8,221
Other noncurrent liabilities	—	328,463	333	—	328,796
Total HSS shareholders' equity (deficit)	1,015,958	(145,338)	65,453	79,884	1,015,957
Noncontrolling interests	—	—	8,861	—	8,861
Total liabilities and shareholders' equity	$ 3,063,322	$ 3,708,627	$ 144,800	$ (2,874,938)	$ 4,041,811

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended June 30, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 231,247	$ 43,641	$ (6,073)	$ 268,815
Services and other revenue - DISH Network	—	128,701	160	—	128,861
Equipment revenue	—	50,553	8,033	(4,920)	53,666
Equipment revenue - DISH Network	—	6,329	—	—	6,329
Total revenue	—	416,830	51,834	(10,993)	457,671
Costs and Expenses:					
Costs of sales - services and other	—	108,931	30,111	(6,073)	132,969
Cost of sales - equipment	—	50,859	6,457	(4,525)	52,791
Selling, general and administrative expenses	—	56,472	8,451	(395)	64,528
Research and development expenses	—	4,654	—	—	4,654
Depreciation and amortization	—	113,822	1,996	—	115,818
Total costs and expenses	—	334,738	47,015	(10,993)	370,760
Operating income	—	82,092	4,819	—	86,911
Other Income (Expense):					
Interest income	53,109	137	248	(52,874)	620
Interest expense, net of amounts capitalized	(36,471)	(64,640)	(358)	52,874	(48,595)
Equity in earnings (losses) of subsidiaries, net	16,960	2,990	—	(19,950)	—
Other, net	3	1,306	180	—	1,489
Total other income (expense), net	33,601	(60,207)	70	(19,950)	(46,486)
Income (loss) before income taxes	33,601	21,885	4,889	(19,950)	40,425
Income tax benefit (provision), net	(6,027)	(4,836)	(1,560)	—	(12,423)
Net income (loss)	27,574	17,049	3,329	(19,950)	28,002
Less: Net income attributable to noncontrolling interests	—	—	428	—	428
Net income (loss) attributable to HSS	$ 27,574	$ 17,049	$ 2,901	$ (19,950)	$ 27,574
Comprehensive Income (Loss):					
Net income (loss)	$ 27,574	$ 17,049	$ 3,329	$ (19,950)	$ 28,002

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments	—	—	1,161	—	1,161
Unrealized gains (losses) on AFS securities and other	(1,635)	—	2	—	(1,633)
Recognition of previously unrealized gains on AFS securities included in net income (loss)	(2)	—	—	—	(2)
Equity in other comprehensive loss of subsidiaries, net	1,149	1,149	—	(2,298)	—
Total other comprehensive loss, net of tax	(488)	1,149	1,163	(2,298)	(474)
Comprehensive income (loss)	27,086	18,198	4,492	(22,248)	27,528
Less: Comprehensive loss attributable to noncontrolling interests	—	—	442	—	442
Comprehensive income (loss) attributable to HSS	$ 27,086	$ 18,198	$ 4,050	$ (22,248)	$ 27,086

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended June 30, 2013
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 213,728	$ 39,154	$ (5,536)	$ 247,346
Services and other revenue - DISH Network	—	70,646	172	—	70,818
Equipment revenue	—	48,277	23,980	(17,912)	54,345
Equipment revenue - DISH Network	—	25,362	—	—	25,362
Total revenue	—	358,013	63,306	(23,448)	397,871
Costs and Expenses:					
Costs of sales - services and other	—	102,983	25,291	(5,391)	122,883
Cost of sales - equipment	—	62,006	23,446	(17,579)	67,873
Selling, general and administrative expenses	—	50,942	8,061	(478)	58,525
Research and development expenses	—	5,496	—	—	5,496
Depreciation and amortization	—	99,839	1,673	—	101,512
Impairment of long-lived asset	—	34,664	—	—	34,664
Total costs and expenses	—	355,930	58,471	(23,448)	390,953
Operating income	—	2,083	4,835	—	6,918
Other Income (expense):					
Interest income	48,928	29	142	(48,806)	293
Interest expense, net of amounts capitalized	(36,369)	(61,331)	(512)	48,806	(49,406)
Equity in earnings (loss) of subsidiaries, net	(35,144)	1,622	—	33,522	—
Other, net	5	913	(1,534)	—	(616)
Total other income (expense)	(22,580)	(58,767)	(1,904)	33,522	(49,729)
Income (loss) before income taxes	(22,580)	(56,684)	2,931	33,522	(42,811)
Income tax benefit (provision), net	(4,601)	21,634	(1,227)	—	15,806
Net income (loss)	(27,181)	(35,050)	1,704	33,522	(27,005)
Less: Net loss attributable to noncontrolling interests	—	—	176	—	176
Net income (loss) attributable to HSS	$ (27,181)	$ (35,050)	$ 1,528	$ 33,522	$ (27,181)
Comprehensive Income (Loss):					
Net income (loss)	$ (27,181)	$ (35,050)	$ 1,704	$ 33,522	$ (27,005)
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(5,778)	—	(5,778)
Unrealized gains on AFS securities and other	(254)	—	5	—	(249)
Recognition of previously unrealized gains on AFS securities included in net income (loss)	(5)	—	—	—	(5)
Equity in other comprehensive income (loss) of subsidiaries	(5,127)	(5,132)	—	10,259	—
Total other comprehensive income (loss), net of tax	(5,386)	(5,132)	(5,773)	10,259	(6,032)
Comprehensive income (loss)	(32,567)	(40,182)	(4,069)	43,781	(33,037)
Less: Comprehensive income attributable to noncontrolling interests	—	—	(470)	—	(470)
Comprehensive income attributable to HSS	$ (32,567)	$ (40,182)	$ (3,599)	$ 43,781	$ (32,567)

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Six Months Ended June 30, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor	Eliminations	Total

			Subsidiaries		
Revenue:					
Services and other revenue	$ —	$ 458,854	$ 83,901	$ (12,273)	$ 530,482
Services and other revenue - DISH Network	—	227,780	325	—	228,105
Equipment revenue	—	88,195	15,958	(8,655)	95,498
Equipment revenue - DISH Network	—	17,899	—	—	17,899
Total revenue	—	792,728	100,184	(20,928)	871,984
Costs and Expenses:					
Costs of sales - services and other	—	218,752	58,836	(12,273)	265,315
Cost of sales - equipment	—	96,010	12,042	(7,855)	100,197
Selling, general and administrative expenses	—	112,221	16,378	(800)	127,799
Research and development expenses	—	9,146	—	—	9,146
Depreciation and amortization	—	219,593	4,410	—	224,003
Total costs and expenses	—	655,722	91,666	(20,928)	726,460
Operating income	—	137,006	8,518	—	145,524
Other Income (Expense):					
Interest income	105,744	168	958	(105,295)	1,575
Interest expense, net of amounts capitalized	(72,916)	(128,739)	(982)	105,295	(97,342)
Equity in earnings (losses) of subsidiaries, net	17,950	5,065	—	(23,015)	—
Other, net	10	2,128	352	—	2,490
Total other income (expense), net	50,788	(121,378)	328	(23,015)	(93,277)
Income (loss) before income taxes	50,788	15,628	8,846	(23,015)	52,247
Income tax benefit (provision), net	(11,892)	2,501	(3,233)	—	(12,624)
Net income (loss)	38,896	18,129	5,613	(23,015)	39,623
Less: Net income attributable to noncontrolling interests	—	—	727	—	727
Net income (loss) attributable to HSS	$ 38,896	$ 18,129	$ 4,886	$ (23,015)	$ 38,896
Comprehensive Income (Loss):					
Net income (loss)	$ 38,896	$ 18,129	$ 5,613	$ (23,015)	$ 39,623
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	3,351	—	3,351
Unrealized gains on AFS securities and other	(837)	—	10	—	(827)
Recognition of previously unrealized gains on AFS securities included in net income (loss)	(10)	—	—	—	(10)
Equity in other comprehensive income (loss) of subsidiaries, net	3,112	3,112	—	(6,224)	—
Total other comprehensive income (loss), net of tax	2,265	3,112	3,361	(6,224)	2,514
Comprehensive income (loss)	41,161	21,241	8,974	(29,239)	42,137
Less: Comprehensive income attributable to noncontrolling interests	—	—	976	—	976
Comprehensive income (loss) attributable to HSS	$ 41,161	$ 21,241	$ 7,998	$ (29,239)	$ 41,161

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Six Months Ended June 30, 2013
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 423,122	$ 75,746	$ (10,151)	$ 488,717
Services and other revenue - DISH Network	—	130,278	359	—	130,637
Equipment revenue	—	96,963	29,869	(22,993)	103,839
Equipment revenue - DISH Network	—	37,233	—	—	37,233
Total revenue	—	687,596	105,974	(33,144)	760,426
Costs and Expenses:					
Costs of sales - services and other	—	202,770	51,460	(9,817)	244,413
Cost of sales - equipment	—	118,019	27,929	(22,367)	123,581
Selling, general and administrative expenses	—	104,590	15,906	(960)	119,536
Research and development expenses	—	10,616	—	—	10,616
Depreciation and amortization	—	199,089	3,597	—	202,686
Impairment of long-lived asset	—	34,664	—	—	34,664
Total costs and expenses	—	669,748	98,892	(33,144)	735,496
Operating income	—	17,848	7,082	—	24,930
Other Income (Expense):					
Interest income	97,489	60	200	(97,291)	458
Interest expense, net of amounts capitalized	(72,713)	(122,525)	(1,083)	97,291	(99,030)
Equity in earnings (losses) of subsidiaries, net	(52,290)	2,316	—	49,974	—
Other, net	22	10,214	(1,162)	—	9,074
Total other expense, net	(27,492)	(109,935)	(2,045)	49,974	(89,498)
Income (loss) before income taxes	(27,492)	(92,087)	5,037	49,974	(64,568)
Income tax benefit (provision), net	(9,081)	39,991	(2,699)	—	28,211

Net income (loss)	(36,573)	(52,096)	2,338	49,974	(36,357)
Less: Net income attributable to noncontrolling interests	—	—	216	—	216
Net income (loss) attributable to HSS	$ (36,573)	$ (52,096)	$ 2,122	$ 49,974	$ (36,573)
Comprehensive Income (Loss):					
Net income (loss)	$ (36,573)	$ (52,096)	$ 2,338	$ 49,974	$ (36,357)
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments	—	—	(5,600)	—	(5,600)
Unrealized gains (loss) on AFS securities and other	(339)	—	22	—	(317)
Recognition of previously unrealized gains on AFS securities included in net income (loss)	(22)	—	—	—	(22)
Equity in other comprehensive income (loss) of subsidiaries, net	(4,954)	(4,954)	—	9,908	—
Total other comprehensive loss, net of tax	(5,315)	(4,954)	(5,578)	9,908	(5,939)
Comprehensive loss	(41,888)	(57,050)	(3,240)	59,882	(42,296)
Less: Comprehensive income attributable to noncontrolling interests	—	—	(408)	—	(408)
Comprehensive loss attributable to HSS	$ (41,888)	$ (57,050)	$ (2,832)	$ 59,882	$ (41,888)

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Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 38,896	$ 18,129	$ 5,613	$ (23,015)	$ 39,623
Adjustments to reconcile net income to net cash flows from operating activities	160,825	106,665	(421)	23,015	290,084
Net cash flows from operating activities	199,721	124,794	5,192	—	329,707
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(163,798)	—	—	—	(163,798)
Sales and maturities of marketable investment securities	74,554	—	—	—	74,554
Purchases of property and equipment	—	(83,538)	(13,968)	—	(97,506)
Changes in restricted cash and cash equivalents	(3,062)	—	(24)	—	(3,086)
Investment in subsidiary	(10,601)	—	—	10,601	—
Other, net	—	(12,316)	—	—	(12,316)
Net cash flows from investing activities	(102,907)	(95,854)	(13,992)	10,601	(202,152)
Cash Flows from Financing Activities:					
Proceeds from issuance of Hughes Retail preferred tracking stock	10,601	10,601	—	(10,601)	10,601
Repayment of long-term debt and capital lease obligations	—	(31,950)	(2,654)	—	(34,604)
Other	(1)	(3,918)	2,012	—	(1,907)
Net cash flows from financing activities	10,600	(25,267)	(642)	(10,601)	(25,910)
Effect of exchange rates on cash and cash equivalents	—	—	1,912	—	1,912
Net increase (decrease) in cash and cash equivalents	107,414	3,673	(7,530)	—	103,557
Cash and cash equivalents, at beginning of period	97,674	34,340	31,695	—	163,709
Cash and cash equivalents, at end of period	$ 205,088	$ 38,013	$ 24,165	$ —	$ 267,266

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Condensed Consolidating Statement of Cash Flows
For the Six Months Ended June 30, 2013
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ (36,573)	$ (52,096)	$ 2,338	$ 49,974	$ (36,357)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	79,360	130,868	(2,277)	(49,974)	157,977
Net cash flows from operating activities	42,787	78,772	61	—	121,620
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(35,964)	—	—	—	(35,964)
Sales and maturities of marketable investment securities	30,120	—	—	—	30,120
Purchases of property and equipment	—	(96,143)	(6,022)	—	(102,165)
Changes in restricted cash and cash equivalents	425	7,536	—	—	7,961

Other, net	—	(4,684)	71	—	(4,613)
Net cash flows from investing activities	(5,419)	(93,291)	(5,951)	—	(104,661)
Cash Flows from Financing Activities:					
Repayment of long-term debt and capital lease obligations	—	(33,591)	(1,581)	—	(35,172)
Other	—	—	816	—	816
Net cash flows from financing activities	—	(33,591)	(765)	—	(34,356)
Effect of exchange rates on cash and cash equivalents	—	—	94	—	94
Net increase (decrease) in cash and cash equivalents	37,368	(48,110)	(6,561)	—	(17,303)
Cash and cash equivalents, at beginning of period	24,098	88,623	23,498	—	136,219
Cash and cash equivalents, at end of period	$ 61,466	$ 40,513	$ 16,937	$ —	$ 118,916

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

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

EXECUTIVE SUMMARY

We are a holding company and a direct subsidiary of EchoStar Corporation ("EchoStar"). We were formed as a Colorado corporation in March 2011. We are a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for the home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. We currently operate in two business segments, which are differentiated primarily by their operational focus: Hughes and EchoStar Satellite Services. The segments currently reported are consistent with the way decisions regarding the allocation of resources are made, as well as how operating results are reviewed by our chief operating decision maker.

Highlights from our financial results are as follows:

2014 Consolidated Results of Operations

- Revenue of $872.0 million
- Operating income of $145.5 million
- Net income of $39.6 million
- Net income attributable to HSS of $38.9 million
- EBITDA of $371.3 million (see non-GAAP reconciliation on page 41)

Consolidated Financial Condition as of June 30, 2014

- Total assets of $4.51 billion
- Total liabilities of $3.19 billion
- Total stockholders' equity of $1.32 billion
- Cash, cash equivalents and current marketable investment securities of $471.3 million

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and services for the home and office, delivering innovative network technologies, managed services, and solutions for consumers, enterprises and governments. We continue our efforts in growing our consumer revenue, which depends on our success in adding new subscribers on our Hughes segment's satellite networks. The addition of new subscribers, and the performance of our consumer service offering, primarily drive the revenue growth in our consumer business. Service costs related to ongoing support of our direct and indirect customers and partners are typically impacted most significantly by our growth. Long term trends continue to be influenced primarily by the subscriber growth in our consumer business. Additional capacity provided in this business by new satellite launches provides impetus for initial subscriber growth while we manage subscriber growth across our satellite platform.

Our Hughes segment also provides managed services, hardware, and satellite services to large enterprises. In addition, we provide gateway and terminal equipment to customers for mobile satellite systems. The fixed pricing nature of our long term enterprise contracts minimizes significant quarter to quarter fluctuations. We continue to monitor the competitive landscape for pricing

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in relation to our competitors and alternative technologies. However, the growth of our enterprise businesses relies heavily on global economic conditions.

As of June 30, 2014 and December 31, 2013, our Hughes segment had approximately 935,000 and 860,000 broadband subscribers, respectively. These subscribers include subscriptions with HughesNet services, through retail, wholesale and small/medium enterprise service channels. Gross subscriber additions were up slightly in the second quarter of 2014 compared to the same period in 2013. However, our average monthly subscriber churn for the second quarter of 2014 increased across all major channels as compared to the same period in 2013. As a result, for the quarter ended June 30, 2014, net subscriber additions of 22,000 were lower than the same period last year primarily due to a higher number of subscriber disconnections associated with the higher churn in combination with the larger subscriber base compared to the second quarter of 2013.

As of June 30, 2014 and December 31, 2013, our Hughes segment had approximately $1.40 billion and $1.15 billion, respectively of contracted revenue backlog. We define Hughes revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market. Our enterprise business continued to close long-term orders led by North America, Brazil, India and our Mobile Satellite Systems.

EchoStar Satellite Services Segment

Our EchoStar Satellite Services segment operates its business using 15 of our owned and leased in-orbit satellites. We provide satellite services on a full-time and occasional-use basis primarily to DISH Network, and also to Dish Mexico, U.S. government service providers, state agencies, internet service providers, broadcast news organizations, programmers and private enterprise customers. We depend on DISH Network for a significant portion of the revenue for our EchoStar Satellite Services segment and we expect that DISH Network will continue to be the primary source of revenue for our EchoStar Satellite Services segment. Therefore, the results of operations of our EchoStar Satellite Services segment are and will be closely linked to the performance of DISH Network's pay-TV service as well as changes in DISH Network's satellite capacity requirements. We continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. Revenue growth in our EchoStar Satellite Services segment is a function of available satellite capacity to sell. The satellites we currently have under construction are expected to ultimately produce revenue once launched and placed into operation, and therefore, anything that interferes with our construction and launch schedules will impact our expected revenue growth. In addition, any disruption in planned renewals of our service arrangements could impact customer commitments and have an impact on our revenue and financial performance. In particular, our service arrangement for the AMC-15 satellite is scheduled to expire on December 24, 2014, which if not renewed, could affect our ability to sell or renew current customer commitments and could impact our revenue. Technical issues, regulatory and licensing issues, manufacturer performance/stability and availability of capital to continue to fund our programs also are factors in achieving our business plans for this segment.

As of June 30, 2014 and December 31, 2013, our EchoStar Satellite Services segment had contracted revenue backlog attributable to satellites currently in orbit of approximately $1.91 billion and $1.14 billion, respectively. The increase in backlog is primarily the result of additional satellite services on EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV provided to DISH Network beginning March 1, 2014, pursuant to the Satellite and Tracking Stock Transaction.

New Business Opportunities

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

In 2012, we acquired the right to use various frequencies at the 45 degree west longitude orbital location ("Brazilian Authorization") from ANATEL, the Brazilian communications regulatory agency. The Brazilian Authorization is intended for use in providing pay-TV services in Brazil. We continue to pursue various plans to launch a Brazilian service and remain committed to delivering a pay-TV service to Brazil via a high-powered Broadcast Satellite

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Service ("BSS") satellite.

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

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RESULTS OF OPERATIONS

Six Months Ended June 30, 2014 Compared to the Six Months Ended June 30, 2013

Statement of Operations Data (1)	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013	Variance Amount	Variance %
	(Dollars in thousands)			
Revenue:				
Services and other revenue - other	$ 530,482	$ 488,717	$ 41,765	8.5

Services and other revenue - DISH Network	228,105	130,637	97,468	74.6
Equipment revenue - other	95,498	103,839	(8,341)	(8.0)
Equipment revenue - DISH Network	17,899	37,233	(19,334)	(51.9)
Total revenue	871,984	760,426	111,558	14.7
Costs and Expenses:				
Cost of sales - services and other	265,315	244,413	20,902	8.6
% of Total services and other revenue	**35.0%**	**39.5%**		
Cost of sales - equipment	100,197	123,581	(23,384)	(18.9)
% of Total equipment revenue	**88.4%**	**87.6%**		
Selling, general and administrative expenses (including DISH Network)	127,799	119,536	8,263	6.9
% of Total revenue	**14.7%**	**15.7%**		
Research and development expenses	9,146	10,616	(1,470)	(13.8)
% of Total revenue	**1.0%**	**1.4%**		
Depreciation and amortization	224,003	202,686	21,317	10.5
Impairment of long-lived assets	—	34,664	(34,664)	(100.0)
Total costs and expenses	726,460	735,496	(9,036)	(1.2)
Operating income	145,524	24,930	120,594	*
Other Income (Expense):				
Interest income	1,575	458	1,117	*
Interest expense, net of amounts capitalized	(97,342)	(99,030)	1,688	(1.7)
Equity in earnings of unconsolidated affiliate	2,014	604	1,410	*
Other, net	476	8,470	(7,994)	(94.4)
Total other expense, net	(93,277)	(89,498)	(3,779)	4.2
Income (loss) before income taxes	52,247	(64,568)	116,815	*
Income tax benefit (provision), net	(12,624)	28,211	(40,835)	*
Net income (loss)	39,623	(36,357)	75,980	*
Less: Net income attributable to noncontrolling interests	727	216	511	*
Net income (loss) attributable to HSS	$ 38,896	$ (36,573)	$ 75,469	*
Other Data:				
EBITDA	$ 371,290	$ 236,474	134,816	57.0
Subscribers, end of period	935,000	736,000	199,000	27.0

* Percentage is not meaningful.
(1) An explanation of our key metrics is included on pages 43 and 44.

Services and other revenue — other. "Services and other revenue — other" totaled $530.5 million for the six months ended June 30, 2014, an increase of $41.8 million or 8.5%, compared to the same period in 2013.

Services and other revenue — other from our Hughes segment for the six months ended June 30, 2014 increased by $47.3 million, or 10.6%, to $494.1 million compared to the same period in 2013. The increase was primarily attributable to an increase in sales of broadband services to our consumer and international customers.

Services and other revenue — other from our EchoStar Satellite Services segment for the six months ended June 30, 2014 decreased by $6.1 million, or 13.6%, to $38.8 million compared to the same period in 2013. The decrease was mainly due to a decrease of $5.7 million in sales of transponder services in the first half of 2014 compared to the same period in 2013.

Services and other revenue — DISH Network. "Services and other revenue — DISH Network" totaled $228.1 million for the six months ended June 30, 2014, an increase of $97.5 million or 74.6%, compared to the same period in 2013.

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Services and other revenue — DISH Network from our Hughes segment for the six months ended June 30, 2014 increased by $21.1 million to $37.6 million compared to the same period in 2013. The increase was primarily attributable to an increase in wholesale subscribers receiving services from dishNET.

Services and other revenue — DISH Network from our EchoStar Satellite Services segment for the six months ended June 30, 2014 increased by $76.4 million, or 67.0%, to $190.5 million compared to the same period in 2013. The increase was mainly due to an increase of $59.1 million in revenue recognized from the services provided for certain satellite capacity to DISH Network on the five satellites transferred to us from DISH Network as part of the Satellite and Tracking Stock Transaction and an increase of $16.2 million from the renewal of our satellite agreement and services provided by the EchoStar VIII satellite to DISH Network that expired in the first quarter of 2013 and was renewed again in the second quarter of 2013.

Equipment revenue — other. "Equipment revenue — other" totaled $95.5 million for the six months ended June 30, 2014, a decrease of $8.3 million, or 8.0%, compared to the same period in 2013. The decrease was mainly due to a decrease in sales of broadband equipment of $14.9 million primarily due to lower sales to wholesale and international customers partially offset by a $6.5 million increase in telecom system equipment.

Equipment revenue — DISH Network. "Equipment revenue — DISH Network" totaled $17.9 million for the six months ended June 30, 2014, a decrease of $19.3 million, or 51.9%, compared to the same period in 2013. The decrease was primarily due to the decrease in the unit sales of broadband equipment to dishNET.

Cost of sales — services and other. "Cost of sales — services and other" totaled $265.3 million for the six months ended June 30, 2014, an increase of $20.9 million, or 8.6%, compared to the same period in 2013. The increase was primarily attributable to an increase in cost of sales of our Hughes segment as a result of an increase in sales of broadband services to our enterprise and international customers.

Cost of sales — equipment. "Cost of sales — equipment" totaled $100.2 million for the six months ended June 30, 2014, a decrease of $23.4 million, or 18.9%, compared to the same period in 2013. The decrease was primarily attributable to a decrease of $19.0 million in the cost of sales of broadband equipment sold to dishNET due to a decrease in the sales of new equipment and an increase in the sales of reconditioned equipment as compared to the same period in 2013 and a decrease of $8.6 million in the cost of sales of broadband equipment to our consumer and international customers.

Selling, general and administrative expenses. "Selling, general and administrative expenses" totaled $127.8 million for the six months ended June 30, 2014, an increase of $8.3 million or 6.9%, compared to the same period in 2013. The increase was mainly due to a $7.7 million increase in marketing expenses related to our Hughes segment.

Depreciation and amortization. "Depreciation and amortization" expense totaled $224.0 million for the six months ended June 30, 2014, an increase of $21.3 million or 10.5%, compared to the same period in 2013. The increase was primarily related to an increase in depreciation of $15.9 million from our EchoStar Satellite Services segment, primarily due to the depreciation of the additional five satellites we received from DISH Network as part of the Satellite and Tracking Stock Transaction and an increase in depreciation of $9.8 million associated with customer rental equipment from our Hughes segment. The increase in depreciation and amortization was partially offset by a decrease in depreciation of $5.7 million on EchoStar XII due to the impairment of the satellite's carrying amount that occurred in the second quarter of 2013.

Impairment of long-lived asset. "Impairment of long-lived asset" totaled zero for the six months ended June 30, 2014, a decrease of $34.7 million, compared to the same period in 2013 due to the impairment of our EchoStar XII satellite of $34.7 million in June 2013. See Note 8 in the Notes to our Condensed Consolidated Financial Statements for further discussion of our impairment in the second quarter of 2013.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $97.3 million for the six months ended June 30, 2014, a decrease of $1.7 million or 1.7%, compared to the same period in 2013, primarily related to the decrease in interest expense of our capital leased satellites.

Other, net. "Other, net" totaled $0.5 million for the six months ended June 30, 2014, a decrease of $8.0 million, or 94.4%, compared to the same period in 2013. The decrease was primarily related to a non-recurring gain of $6.7 million in 2013 resulting from a reduction of the capital lease obligation for the AMC-16 satellite and a reduction in gains of $2.6 million in 2013 resulting from the conversion of one of our investments into a marketable investment security. The decrease was partially offset by an increase of $1.3 million in foreign exchange gains.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $371.3 million for the six months ended June 30, 2014, an increase of $134.8 million or 57.0%, compared to the same period in 2013. The increase was primarily due to an increase in operating income, excluding depreciation and amortization of $141.9 million and an increase of $1.4 million in equity from earnings of unconsolidated affiliates, net. The increase in the first half of 2014 was partially offset by a decrease in Other, net related to a gain of $6.7 million in 2013 resulting from a reduction of the capital lease obligation for the AMC-16 satellite and a reduction in gains of $2.6 million in 2013 resulting from a conversion of one of our investments into a marketable investment security. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Income (loss) before income taxes, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Six Months Ended June 30,		Variance	
	2014	**2013**	**Amount**	**%**
	(Dollars in thousands)			
EBITDA	$ 371,290	$ 236,474	$ 134,816	57.0
Interest income and expense, net	(95,767)	(98,572)	2,805	(2.8)
Depreciation and amortization	(224,003)	(202,686)	(21,317)	10.5
Net income attributable to noncontrolling interests	727	216	511	*
Income (loss) before income taxes	$ 52,247	$ (64,568)	$ 116,815	*

* Percentage is not meaningful.

Income tax benefit (provision), net. Income tax expense was $12.6 million for the six months ended June 30, 2014, compared to an income tax benefit of $28.2 million for the same period in 2013. Our effective income tax rate was 24.2% for the six months ended June 30, 2014, compared to 43.7% for the same period in 2013. The variation in our current year effective tax rate from a U.S. federal statutory rate for the current period was primarily due to a lower state effective tax rate. For the same period in 2013, the variation in our effective tax rate from a U.S. federal statutory rate was primarily due to the current year research and experimentation credits and reinstatement of the research and experimentation tax credit for 2012, as provided by the American Taxpayer Relief Act enacted on January 2, 2013.

Net income (loss) attributable to HSS. Net income attributable to HSS was $38.9 million for the six months ended June 30, 2014, an increase of $75.5 million, compared to Net loss attributable to HSS of $36.6 million for the same period in 2013. The increase was primarily attributable to an increase in operating income, including depreciation and amortization of $120.6 million, partially offset by a decrease in income tax benefit of $40.8 million, a gain of $6.7 million recognized in 2013 as a result of a reduction of the capital lease obligation for the AMC-16 satellite, and a reduction in gains of $2.6 million resulting from the conversion of one of our investments into a marketable investment security.

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Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS— Continued

Segment Operating Results and Capital Expenditures

Six Months Ended June 30, 2014 Compared to the Six Months Ended June 30, 2013

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
For the Six Months Ended June 30, 2014				
Total revenue	$ 645,029	$ 229,360	$ (2,405)	$ 871,984
Capital expenditures	$ 97,477	$ 29	$ —	$ 97,506
EBITDA	$ 172,255	$ 197,010	$ 2,025	$ 371,290
For the Six Months Ended June 30, 2013				
Total revenue	$ 604,347	$ 159,074	$ (2,995)	$ 760,426
Capital expenditures	$ 89,833	$ 12,332	$ —	$ 102,165
EBITDA	$ 137,375	$ 98,473	$ 626	$ 236,474

Hughes Segment

	For the Six Months Ended June 30, 2014	2013	Variance Amount	%
	(Dollars in thousands)			
Total revenue	$ 645,029	$ 604,347	$ 40,682	6.7
Capital expenditures	$ 97,477	$ 89,833	$ 7,644	8.5
EBITDA	$ 172,255	$ 137,375	$ 34,880	25.4

Revenue

Hughes segment total revenue for the six months ended June 30, 2014 increased by $40.7 million, or 6.7%, compared to the same period in 2013, primarily due to an increase in service revenue of $47.3 million mainly attributable to an increase in sales of broadband services to our consumer and international customers, and an increase of $21.1 million in service revenue from DISH Network due to the increase in wholesale subscribers on dishNet. The increase in revenue was partially offset by a decrease in equipment revenue from DISH Network of $19.3 million and a decrease in other equipment revenue of $8.3 million.

Capital Expenditures

Hughes segment capital expenditures for the six months ended June 30, 2014 increased by $7.6 million, or 8.5%, compared to the same period in 2013, primarily as a result of an increase in expenditures related to consumer broadband rental equipment as well as machinery and equipment related to our U.S. broadband network.

EBITDA

Hughes segment EBITDA for the six months ended June 30, 2014 was $172.3 million, an increase of $34.9 million, or 25.4%, compared to the same period in 2013. The increase was primarily attributable to a $43.6 million increase in gross margin, partially offset by an $8.4 million increase in selling, general and administrative expenses.

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Item 2. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS— Continued

EchoStar Satellite Services Segment

	For the Six Months Ended June 30, 2014	2013	Variance Amount	%
	(Dollars in thousands)			
Total revenue	$ 229,360	$ 159,074	$ 70,286	44.2
Capital expenditures	$ 29	$ 12,332	$ (12,303)	(99.8)
EBITDA	$ 197,010	$ 98,473	$ 98,537	*

Revenue

EchoStar Satellite Services segment total revenue for the six months ended June 30, 2014 increased by $70.3 million, or 44.2%, compared to the same period in 2013, due to a $70.3 million increase in service revenue, primarily related to transponder services provided to DISH Network as part of the Satellite and Tracking Stock Transaction.

Capital Expenditures

EchoStar Satellite Services segment capital expenditures for the six months ended June 30, 2014 decreased by $12.3 million, or 99.8%, compared to the same period in 2013, primarily related to a decrease in satellite expenditures due to the launch of EchoStar XVI in November 2012 and the satellite being placed into service in January 2013.

EBITDA

EchoStar Satellite Services segment EBITDA for the six months ended June 30, 2014 was $197.0 million, an increase of $98.5 million compared to the same period in 2013. The increase in EBITDA for our EchoStar Satellite Services segment was primarily attributable to an increase of $70.1 million in gross margin and a $34.7 million decrease in loss on impairments due to the impairment of our EchoStar XII satellite in June 2013. The increase was partially offset by a non-recurring gain of $6.7 million in 2013 resulting from a reduction of the capital lease obligation for the AMC-16 satellite.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Services and other revenue. "Services and other revenue" primarily includes the sales of enterprise and consumer broadband services, as well as maintenance and other contracted services. "Services and other revenue" also includes revenue associated with satellite and transponder services, satellite uplinking/downlinking and other services provided to customers other than DISH Network.

Services and other revenue — DISH Network. "Services and other revenue — DISH Network" primarily includes revenue associated with satellite and transponder services, satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, professional services, facilities rental revenue and other services provided to DISH Network. Beginning in October 2012, "Services and other revenue — DISH Network" also includes subscriber wholesale service fees for the Hughes service sold to dishNET.

Equipment revenue — other. "Equipment revenue — other" primarily includes the sales of broadband equipment and networks sold to customers in our enterprise and consumer markets.

Equipment revenue — DISH Network. "Equipment revenue — DISH Network" primarily includes sales of satellite broadband equipment and related equipment, related to the Hughes service, to DISH Network.

Cost of sales — services and other. "Cost of sales — services and other" primarily includes the cost of broadband services provided to our enterprise and consumer customers, and to DISH Network, as well as the cost of providing maintenance and other contracted services. "Cost of sales — services and other" also includes the costs associated with satellite and transponder services, satellite uplinking/downlinking, signal processing, conditional access

management, telemetry, tracking and control, professional services, facilities rental costs, and other services provided to our customers, including DISH Network.

Cost of sales — equipment. "Cost of sales — equipment" consists primarily of the cost of broadband equipment and networks sold to customers in our enterprise and consumer markets.

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

Selling, general and administrative expenses. "Selling, general and administrative expenses" primarily includes selling and marketing costs and employee-related costs associated with administrative services (e.g., information systems, human resources and other services), including stock-based compensation expense. It also includes professional fees (e.g. legal, information systems and accounting services) and other items associated with facilities and administrative services provided by EchoStar, DISH Network and other third parties.

Impairment of long-lived asset. "Impairment of long-lived asset" includes our impairment losses related to our property and equipment.

Interest income. "Interest income" primarily includes interest earned on our cash, cash equivalents and marketable investment securities, including accretion on debt securities.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" primarily includes interest expense associated with our long-term debt and capital lease obligations (net of capitalized interest), and amortization of debt issuance costs.

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

Other, net. "Other, net" primarily includes foreign exchange gains and losses, dividends received from our marketable investment securities and other non-operating income or expense items that are not appropriately classified elsewhere in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is defined as "Net income (loss) attributable to HSS" excluding "Interest expense, net of amounts capitalized," "Interest income," "Income tax benefit (provision), net" and "Depreciation and amortization." EBITDA is not a measure determined in accordance with GAAP. This non-GAAP measure is reconciled to "Income (loss) before income taxes" in our discussion of "Results of Operations" above. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with GAAP. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

Subscribers. Subscribers includes customers that subscribe to our Hughes segment's HughesNet broadband services, through retail, wholesale and small/medium enterprise service channels.

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Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934) as 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 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the second quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting, and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

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PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings see Part I, Item 1. Financial Statements — Note 12 "Commitments and Contingencies — Litigation" in this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2013 includes a detailed discussion of our risk factors. Except as provided below, for the six months ended June 30, 2014, there have been no material changes in our risk factors as previously disclosed.

Our capital structure may create conflicts of interest for our board of directors and management, and our board of directors may make decisions that could adversely affect only one group of holders.

Our preferred tracking stock capital structure could give rise to occasions when the interests of holders of stock of one group might diverge or appear to diverge from the interests of holders of stock of the other group and our board of directors or officers could make decisions that could adversely affect only one group of holders. Colorado law requires that our board of directors and officers act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner they reasonably believe to be in the best interests of the company and are not required to consider, as a dominant factor, the effect of a proposed corporate action upon any particular group of shareholders. Decisions deemed to be in the best interests of our company may not always align with the best interests of a particular group of our shareholders when considered independently. Examples include:

- decisions as to the terms of any business relationships that may be created between the HSSC Group and the Hughes Retail Group and the terms of any reattributions of assets between the groups;
- decisions as to the allocation of corporate opportunities between the groups, especially where the opportunities might meet the strategic business objectives of both groups;
- decisions as to operational and financial matters that could be considered detrimental to one group but beneficial to the other;
- decisions as to the internal or external financing attributable to businesses or assets attributed to either of our groups; and
- decisions as to the disposition of assets of either of our groups.

In addition, as the Tracking Stock is currently held by DISH Network, questions relating to conflicts of interest may also arise between DISH Network and us due to EchoStar and DISH Network's common ownership and management.

Provisions of Colorado law and our articles of incorporation may protect decisions of our board of directors and officers that have a disparate impact on one group of shareholders. Our shareholders may have limited or no legal remedies under Colorado law with respect to such decisions even if the actions of our directors or officers adversely affect the market value of our common stock.

Our board of directors has the ability to change our attribution policies at any time without a vote of our common shareholders.

Our board of directors has adopted a policy statement (the "Policy Statement") regarding the relationships between the HSSC Group and the Hughes Retail Group with respect to matters such as the attribution and allocation of costs, tax liabilities and benefits, attribution of assets, corporate opportunities and similar items. Our board of directors may at any time change or make exceptions to the Policy Statement with only the consent of holders of a majority of the outstanding shares of Hughes Retail Preferred Tracking Stock. Because these policies relate to matters concerning the day-to-day management of our company as opposed to significant corporate actions, such as a merger involving the Company or a sale of substantially all of our assets, no approval from our common shareholders is required with respect to the changes or exceptions to the Policy Statement. A decision to change, or

make exceptions to these policies or adopt additional policies could disadvantage one group while advantaging the other.

We could be required to use assets attributed to one group to pay liabilities attributed to the other group.

Even though we attribute, for financial reporting purposes, all of our consolidated assets, liabilities, revenue, expenses and cash flows to either the HSSC Group or the Hughes Retail Group and prepare separate attributed financial information for the Hughes Retail Group, we retain legal title to all of our assets and our capitalization will not limit our legal responsibility, or that of our subsidiaries, for the liabilities included in our financial statements and such attributed financial information. As such, the assets attributed to one group are potentially subject to the liabilities attributed to the other group, even if those liabilities arise from lawsuits, contracts or indebtedness that are attributed to such other group. Although the Policy Statement generally requires that all changes in the attribution of assets from one group to the other group will be made on a fair value basis as determined in accordance with certain guiding principles, these policies and our articles of incorporation generally do not prevent us from satisfying liabilities of one group with assets of the other group, and our creditors are not limited by our tracking stock capitalization from proceeding against any assets they could have proceeded against if we did not have a tracking stock capitalization.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Item 6. EXHIBITS

Exhibit No.	Description
31.1(H)	Section 302 Certification of Chief Executive Officer.
31.2(H)	Section 302 Certification of Chief Financial Officer.
32.1(H)	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.
99.1(H)	Unaudited Condensed Attributed Financial Information and Notes for Hughes Retail Group.
101	The following materials from the Quarterly Report on Form 10-Q of Hughes Satellite Systems Corporation for the quarter ended June 30, 2014, filed on August 7, 2014, formatted in eXtensible Business Reporting Language (“XBRL”): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements.

(H) Filed herewith.

SIGNATURES

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

HUGHES SATELLITE SYSTEMS CORPORATION

Date: August 7, 2014

By: /s/ *Michael T. Dugan*
Michael T. Dugan
Chief Executive Officer, President and Director
(Duly Authorized Officer)

Date: August 7, 2014

By: /s/ *David J. Rayner*
David J. Rayner
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Michael T. Dugan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hughes Satellite Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

By:	*/s/ Michael T. Dugan*
Name:	Michael T. Dugan
Title:	Chief Executive Officer, President and Director
	(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, David J. Rayner, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hughes Satellite Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

By: *_/s/ David J. Rayner_*
Name: David J. Rayner
Title: Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
Section 906 Certifications

In connection with the quarterly report for the quarter ended June 30, 2014 on Form 10-Q (the “Quarterly Report”) of Hughes Satellite Systems Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof, we, Michael T. Dugan and David J. Rayner, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

(i) the Quarterly Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2014

By: */s/ Michael T. Dugan*
Name: Michael T. Dugan
Title: Chief Executive Officer, President and Director
(Principal Executive Officer)

By: */s/ David J. Rayner*
Name: David J. Rayner
Title: Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO THE COMPANY AND WILL BE RETAINED BY THE COMPANY AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

Unaudited Condensed Attributed Financial Information for Hughes Retail Group

On March 1, 2014, EchoStar Corporation (“EchoStar”) issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the “EchoStar Tracking Stock”) and Hughes Satellite Systems Corporation (“HSS”), a subsidiary of EchoStar, also issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the “HSS Tracking Stock” and together with the EchoStar Tracking Stock, the “Tracking Stock”) to certain subsidiaries of DISH Network Corporation.

The Tracking Stock is intended to reflect the separate performance of the Hughes Retail Group, which is comprised primarily of our business of providing satellite broadband internet services to residential retail subscribers, including the assets and liabilities primarily associated with the operation of the business; and the business operations, revenue, billings, operating and other direct and indirect support activities to provide services to the business and Hughes retail subscribers. The Hughes Retail Group also includes any proceeds associated with a sale or transfer of the Hughes Retail Group or any assets of the Hughes Retail Group, and any other assets acquired by or for the account of the Hughes Retail Group or otherwise attributed, contributed, allocated or transferred to the Hughes Retail Group from time to time. The HSSC Group is comprised of all existing and future businesses of Hughes Satellite Systems Corporation and its subsidiaries, excluding the Hughes Retail Group.

Holders of the Tracking Stock and our common stock are holders of capital stock of the issuer (EchoStar or HSS) and are subject to risks associated with an investment in the issuer and all of its businesses, assets and liabilities. The issuance of the Tracking Stock does not affect the rights of our creditors or the creditors of our subsidiaries. Notwithstanding the following attribution of assets, liabilities, revenue, expenses and cash flows to the Hughes Retail Group and the HSSC Group, our tracking stock structure does not affect the ownership or the legal title to our assets or responsibility for our liabilities.

The accompanying condensed attributed financial information as of, and for, the three and six months ended June 30, 2014 and 2013 and the year ended December 31, 2013 are unaudited. The Company’s management is solely responsible for this financial information and believes that it has been prepared in conformity with accounting principles generally accepted in the United States.

The following tables present our consolidated assets and liabilities as of June 30, 2014 and December 31, 2013 and our consolidated revenue, expenses and cash flows for the three and six months ended June 30, 2014 and 2013. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Hughes Retail Group as if that business and its assets had been attributed to that group at the beginning of each period. As a result of our Policy Statement adopted as of March 1, 2014, we used different attribution methods for certain items in periods prior to March 1, 2014. Therefore, the attributed financial position, results of operations and cash flows of the Hughes Retail Group and all other operations are not directly comparable to the corresponding attributed financial information for periods after March 1, 2014. The financial information in this Exhibit should be read in conjunction with our unaudited condensed consolidated financial statements for the period ended June 30, 2014 included in our Quarterly Report on Form 10-Q.

Condensed Attributed Balance Sheets

(In thousands)

(Unaudited)

	Attributed As of June 30, 2014				Attributed As of December 31, 2013			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Assets								
Current Assets:								
Cash, cash equivalents and marketable investment securities	$ —	$ 471,301	$ —	$ 471,301	$ —	$ 280,569	$ —	$ 280,569
Trade accounts receivable, net	28,848	120,919	—	149,767	24,466	108,489	—	132,955
Trade accounts receivable - DISH Network, net	—	18,562	—	18,562	—	68,091	—	68,091
Inventory	7,802	47,755	(1,839)	53,718	10,004	46,989	—	56,993
Deferred tax assets	5,270	58,486	—	63,756	4,143	59,643	—	63,786
Prepaids and deposits	482	29,478	—	29,960	814	26,313	—	27,127
Inter-group advances	—	9,166	(9,166)	—	—	—	—	—
Other current assets	—	11,257	—	11,257	—	28,129	—	28,129
Total current assets	42,402	766,924	(11,005)	798,321	39,427	618,223	—	657,650
Noncurrent Assets:								
Restricted cash and cash equivalents	—	18,200	—	18,200	—	15,114	—	15,114
Property and equipment, net	157,381	2,169,791	(2,593)	2,324,579	151,023	1,832,258	—	1,983,281
Regulatory authorizations	—	471,658	—	471,658	—	471,658	—	471,658
Goodwill	260,000	244,173	—	504,173	260,000	244,173	—	504,173
Other intangible assets, net	63,184	119,487	—	182,671	75,280	138,467	—	213,747
Economic interest in Hughes Retail Group	—	346,944	(346,944)	—	—	488,852	(488,852)	—
Other investments	—	29,854	—	29,854	—	30,212	—	30,212
Other noncurrent assets, net	43,980	132,596	(359)	176,217	40,272	125,704	—	165,976
Total noncurrent assets	524,545	3,532,703	(349,896)	3,707,352	526,575	3,346,438	(488,852)	3,384,161
Total assets	$ 566,947	$ 4,299,627	$ (360,901)	$ 4,505,673	$ 566,002	$ 3,964,661	$ (488,852)	$ 4,041,811
Liabilities and Stockholders’ Equity								
Current Liabilities:								
Trade accounts payable	$ 11,334	$ 75,804	$ —	$ 87,138	$ —	$ 91,000	$ —	$ 91,000
Trade accounts payable - DISH Network	—	26	—	26	—	5	—	5
Current portion of long-term debt and capital lease obligations	—	48,715	—	48,715	—	67,300	—	67,300
Deferred revenue and prepayments	22,243	33,732	—	55,975	20,999	34,087	—	55,086
Accrued compensation	—	20,839	—	20,839	—	19,741	—	19,741
Advances from affiliates, net	—	28,984	—	28,984	—	10,711	—	10,711
Inter-group advances	9,166	—	(9,166)	—	—	—	—	—
Accrued expenses and other	4,181	79,002	—	83,183	6,108	78,453	—	84,561
Total current liabilities	46,924	287,102	(9,166)	324,860	27,107	301,297	—	328,404
Noncurrent Liabilities:								
Long-term debt and capital lease obligations, net of current portion	—	2,339,103	—	2,339,103	—	2,351,572	—	2,351,572
Deferred tax liabilities	30,772	385,539	—	416,311	40,225	226,449	—	266,674
Advances from affiliates, net	—	8,287	—	8,287	—	8,221	—	8,221
Other noncurrent liabilities	6,647	89,772	—	96,419	9,818	52,304	—	62,122
Total noncurrent liabilities	37,419	2,822,701	—	2,860,120	50,043	2,638,546	—	2,688,589
Total liabilities	84,343	3,109,803	(9,166)	3,184,980	77,150	2,939,843	—	3,016,993

Stockholders' Equity:								
Equity/ Attributed net assets (liabilities)	482,604	1,179,987	(351,735)	1,310,856	488,852	1,015,957	(488,852)	1,015,957
Noncontrolling interests	—	9,837	—	9,837	—	8,861	—	8,861
Total stockholders' equity	482,604	1,189,824	(351,735)	1,320,693	488,852	1,024,818	(488,852)	1,024,818
Total liabilities and equity/ attributed net assets (liabilities)	$ 566,947	$ 4,299,627	$ (360,901)	$ 4,505,673	$ 566,002	$ 3,964,661	$ (488,852)	$ 4,041,811

Condensed Attributed Statements of Operations

(In thousands)

(Unaudited)

	Attributed For the Three Months Ended June 30, 2014				Attributed For the Three Months Ended June 30, 2013			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Revenue:								
Services and Equipment revenue - other	$ 138,799	$ 259,820	$ (76,138)	$ 322,481	$ 123,822	$ 177,869	$ —	$ 301,691
Services and Equipment revenue - DISH Network	—	135,190	—	135,190	—	96,180	—	96,180
Total revenue	138,799	395,010	(76,138)	457,671	123,822	274,049	—	397,871
Costs and Expenses:								
Cost of sales - (exclusive of depreciation and amortization)	81,095	177,476	(72,811)	185,760	62,001	128,755	—	190,756
Selling, general and administrative expenses	33,940	30,588	—	64,528	31,259	27,266	—	58,525
Research and development expenses	—	4,654	—	4,654	1,814	3,682	—	5,496
Depreciation and amortization	33,335	82,641	(158)	115,818	29,940	71,572	—	101,512
Impairment of long-lived asset	—	—	—	—	—	—	—	34,664
Total costs and expenses	148,370	295,359	(72,969)	370,760	125,014	231,275	—	390,953
Operating income (loss)	(9,571)	99,651	(3,169)	86,911	(1,192)	42,774	—	6,918
Other Income (Expense):								
Interest income	—	625	(5)	620	—	293	—	293
Interest expense, net of amounts capitalized	(5)	(48,595)	5	(48,595)	—	(49,406)	—	(49,406)
Equity in losses of unconsolidated affiliates, net	—	1,244	—	1,244	—	572	—	572
Retained interest in earnings (loss) of Hughes Retail Group	—	(4,141)	4,141	—	—	(720)	720	—
Other, net	—	245	—	245	—	(1,188)	—	(1,188)
Total other income (expense), net	(5)	(50,622)	4,141	(46,486)	—	(50,449)	720	(49,729)
Income (loss) before income taxes	(9,576)	49,029	972	40,425	(1,192)	(7,675)	720	(42,811)
Income tax provision, net	3,817	(16,240)	—	(12,423)	472	15,334	—	15,806
Net income (loss)	(5,759)	32,789	972	28,002	(720)	7,659	720	(27,005)
Less: Net income loss attributable to noncontrolling interests	—	428	—	428	—	176	—	176
Net income (loss) attributable to HSS	$ (5,759)	$ 32,361	$ 972	$ 27,574	$ (720)	$ 7,483	$ 720	$ (27,181)

Condensed Attributed Statements of Operations

(In thousands)

(Unaudited)

	Attributed For the Six Months Ended June 30, 2014				Attributed For the Six Months Ended June 30, 2013			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Revenue:								
Services and Equipment revenue - other	$ 275,530	$ 453,822	$ (103,372)	$ 625,980	$ 247,596	$ 344,960	$ —	$ 592,556
Services and Equipment revenue - DISH Network	—	246,004	—	246,004	—	167,870	—	167,870
Total revenue	275,530	699,826	(103,372)	871,984	247,596	512,830	—	760,426
Costs and Expenses:								
Cost of sales - (exclusive of depreciation and amortization)	149,319	314,614	(98,421)	365,512	125,617	242,377	—	367,994
Selling, general and administrative expenses	69,490	58,309	—	127,799	64,073	55,463	—	119,536
Research and development expenses	878	8,268	—	9,146	3,804	6,812	—	10,616
Depreciation and amortization	65,291	158,870	(158)	224,003	59,966	142,720	—	202,686
Impairment of long-lived asset	—	—	—	—	—	—	—	34,664
Total costs and expenses	284,978	540,061	(98,579)	726,460	253,460	447,372	—	735,496
Operating income	(9,448)	159,765	(4,793)	145,524	(5,864)	65,458	—	24,930

Other Income (Expense):								
Interest income	1	1,580	(6)	1,575	—	458	—	458
Interest expense, net of amounts capitalized	(5)	(97,343)	6	(97,342)	—	(99,030)	—	(99,030)
Equity in earnings of unconsolidated affiliates, net	—	2,014	—	2,014	—	604	—	604
Retained interest in earnings (loss) of Hughes Retail Group	—	(3,741)	3,741	—	—	(3,543)	3,543	—
Other, net	—	476	—	476	—	8,470	—	8,470
Total other income (expense), net	(4)	(97,014)	3,741	(93,277)	—	(93,041)	3,543	(89,498)
Loss before income taxes	(9,452)	62,751	(1,052)	52,247	(5,864)	(27,583)	3,543	(64,568)
Income tax benefit, net	3,769	(16,393)	—	(12,624)	2,321	25,890	—	28,211
Net loss	(5,683)	46,358	(1,052)	39,623	(3,543)	(1,693)	3,543	(36,357)
Less: Net income attributable to noncontrolling interests	—	727	—	727	—	216	—	216
Net loss attributable to HSS	$ (5,683)	$ 45,631	$ (1,052)	$ 38,896	$ (3,543)	$ (1,909)	$ 3,543	$ (36,573)

Condensed Attributed Statements of Cash Flows

(In thousands)

(Unaudited)

	Attributed For the Six Months Ended June 30, 2014				Attributed For the Six Months Ended June 30, 2013			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Cash Flows from Operating Activities:								
Net income (loss)	$ (5,683)	$ 46,358	$ (1,052)	$ 39,623	$ (3,543)	$ (36,357)	$ 3,543	$ (36,357)
Adjustments to reconcile net income to net cash flows from operating activities								
Depreciation and amortization	65,291	158,870	(158)	224,003	59,966	142,720	—	202,686
Equity in earnings of unconsolidated affiliate	—	(2,014)	—	(2,014)	—	(604)	—	(604)
Retained interest in loss (earnings) of Hughes Retail Group	—	3,741	(3,741)	—		3,543	(3,543)	—
Amortization of debt issuance costs	—	2,853	—	2,853	—	2,651	—	2,651
Realized gains on marketable investment securities and other investments, net	—	(10)	—	(10)	—	(2,574)	—	(2,574)
Impairment of long-lived asset	—	—	—	—	—	34,664	—	34,664
Stock-based compensation	—	1,300	—	1,300	—	784	—	784
Deferred tax benefit	—	5,623	—	5,623	—	(31,759)	—	(31,759)
Changes in current assets and current liabilities, net	6,432	50,162	4,951	61,545	(360)	(37,474)	—	(37,834)
Changes in noncurrent assets and noncurrent liabilities, net	(15,088)	8,425	—	(6,663)	(14,179)	11,067	—	(3,112)
Other, net	—	6,199	(2,752)	3,447	—	(6,925)	—	(6,925)
Net cash flows from operating activities	50,952	281,507	(2,752)	329,707	41,884	79,736	—	121,620
Cash Flows from Investing Activities:								
Purchases of marketable investment securities	—	(163,798)	—	(163,798)	—	(35,964)	—	(35,964)
Sales and maturities of marketable investment securities	—	74,554	—	74,554	—	30,120	—	30,120
Purchases of property and equipment	(59,553)	(40,705)	2,752	(97,506)	(52,574)	(49,591)	—	(102,165)
Change in restricted cash and cash equivalents	—	(3,086)	—	(3,086)	—	7,961	—	7,961
Inter-group advances	—	(9,166)	9,166	—	—	—	—	—
Other, net	—	(12,316)	—	(12,316)	—	(4,613)	—	(4,613)
Net cash flows from investing activities	(59,553)	(154,517)	11,918	(202,152)	(52,574)	(52,087)	—	(104,661)
Cash Flows from Financing Activities:								
Proceeds from issuance of Hughes Retail preferred tracking stock, net of offering cost	—	10,601	—	10,601	—	—	—	—
Repayment of long-term debt and capital lease obligations	—	(34,604)	—	(34,604)	—	(35,172)	—	(35,172)
Inter-group advances	9,166	—	(9,166)	—	—	—	—	—
Inter-group equity contributions (distributions), net	(565)	565		—	10,690	(10,690)	—	—
Other	—	(1,907)	—	(1,907)	—	816	—	816
Net cash flows from financing activities	8,601	(25,345)	(9,166)	(25,910)	10,690	(45,046)	—	(34,356)
Effect of exchange rates on cash and cash equivalents	—	1,912	—	1,912	—	94	—	94
Net increase (decrease) in cash and cash equivalents	—	103,557	—	103,557	—	(17,303)	—	(17,303)
Cash and cash equivalents, beginning of period	—	163,709	—	163,709	—	136,219	—	136,219
Cash and cash equivalents, end of period	$ —	$ 267,266	$ —	$ 267,266	$ —	$ 118,916	$ —	$ 118,916

NOTES TO CONDENSED ATTRIBUTED FINANCIAL INFORMATION
(Unaudited)

Note 1. Business Description

The Hughes Retail Group is generally comprised of our business of providing satellite broadband internet services to residential retail subscribers, including the assets and liabilities primarily associated with the operation of the business, and the business operations, revenue, billings, operating and other direct and indirect support activities to provide services to the business and Hughes retail subscribers. The Hughes Retail Group also includes any proceeds associated with a sale or transfer of the Hughes Retail Group or any assets of the Hughes Retail Group, and any other assets acquired by or for the account of the Hughes Retail Group or otherwise attributed, contributed, allocated or transferred to the Hughes Retail Group from time to time. The HSSC Group consists of all other operations of HSS, including all existing and future businesses other than the Hughes Retail Group. HSS has adopted a policy statement (the "Policy Statement") as described in Note 2 below, which sets forth management and allocation policies for purposes of attributing all of the business and operations of HSS to either the Hughes Retail Group or the HSSC Group (each as fully defined in the Policy Statement and collectively, the "Groups").

Note 2. Basis of Presentation

The overall objective of the attributed financial information is to present HSS' attributed amounts reported in its condensed consolidated financial statements to the Hughes Retail Group and the HSSC Group. The Policy Statement contains specific provisions that determine how certain assets, liabilities, revenue and expenses are attributed to the Groups, effective March 1, 2014. However, the Policy Statement does not explicitly address the attribution of all amounts reported in our condensed consolidated financial statements; accordingly, management applies judgment in attributing certain amounts based on its assessment of the activities of the Groups and the guiding principles set forth in the Policy Statement. In addition, because the Policy Statement was not effective in periods prior to March 1, 2014, it has limited applicability to the attributed financial information for such periods.

Set forth below is an overview of the Policy Statement and additional discussion about how we have attributed amounts in our condensed consolidated financial statements to the Groups.

Policy Statement

In accordance with the Policy Statement, all existing and future retail subscribers, including related customer contracts, are attributed to the Hughes Retail Group. Assets and liabilities that are directly related to the Hughes Retail Group are attributed to the Hughes Retail Group, including certain accounts receivable, inventory, property and equipment, deferred subscriber acquisition costs, intangible assets and tax related assets and liabilities. To the extent practicable, costs and expenses are attributed without markup to the Hughes Retail Group or the HSSC Group based on specific identification. Common or shared costs, including corporate overhead, are allocated between the Hughes Retail Group and the HSSC Group using objective methods and criteria that reflect the relative usage of the corresponding functions or services. Where resources are shared by the Groups and determinations based on use alone are not practicable, we use other methods and criteria that we believe are fair and result in a reasonable estimate of the costs associated with operation, utilization, and maintenance of such resources to each Group. Such methods and criteria may include allocations based on revenue, operating costs, square footage, headcount or management estimates. Under the documents governing the Tracking Stock, any change in our management's allocation methodologies requires the consent of the holders of a majority of the outstanding shares of the Tracking Stock, but does not require the consent of our common shareholders.

The Hughes Retail Group utilizes broadband satellite capacity that is operated and maintained by the HSSC Group. The Policy Statement provides for a monthly charge to the Hughes Retail Group for its utilization of such capacity based on the number of retail subscribers and revenue per month. In addition, the Policy Statement establishes pricing for the Hughes Retail Group purchases of customer rental equipment from the HSSC Group based on cost plus a fixed margin percentage. Income taxes incurred by HSS and its subsidiaries that include operations of the Hughes Retail Group are allocated between the HSSC Group and the Hughes Retail Group based primarily on the relative amounts of earnings or loss attributable to each Group.

The various attributions, allocations and inter-group charges provided for in the Policy Statement generally do not affect the amounts reported in HSS' Condensed Consolidated Financial Statements, except for effects on the attribution of equity and net income or loss between the holders of Tracking Stock and HSS' common shareholders. The Policy Statement also does not significantly affect the way that the Hughes segment management assesses operating performance and allocates resources. In addition, our chief operating decision maker reviews the Hughes Retail Group financial information only to the extent such information is included in our periodic filings with the SEC. Therefore we do not consider the Hughes Retail Group to be a separate operating segment.

Balance Sheet Attributions

Assets attributed to the Hughes Retail Group based on specific identification consist primarily of trade accounts receivable from retail broadband subscribers, property and equipment (primarily customer rental equipment) used solely in the retail business, and deferred subscriber acquisition costs included in other noncurrent assets. Goodwill and other intangible assets (primarily customer relationships, developed technology and trademarks), which were recognized in connection with our acquisition of Hughes Communications, Inc. in June 2011, were attributed to the Hughes Retail Group based on an analysis of information for the retail business that was available at the acquisition date.

No attribution to the Hughes Retail Group has been made for certain significant assets that it shares with the HSSC Group, including regulatory authorizations and property and equipment (such as satellites and related terrestrial facilities), because those assets are operated and maintained by the HSSC Group and it is not practicable to allocate the asset carrying amounts between the Groups. However, the Hughes Retail Group has the right to use such assets and is charged for its use of such assets in accordance with the Policy Statement.

Liabilities attributed to the Hughes Retail Group based on specific identification consist primarily of customer prepayments and deferred revenue related to retail subscribers and deferred tax liabilities related to assets and liabilities that have been attributed to the Hughes Retail Group. Except to a limited extent, it is not practicable to attribute accounts payable and accrued liabilities to the Hughes Retail Group because those amounts arise from centralized processes managed by the HSSC Group. The Hughes Retail Group generally incurs inter-group payables to all other operations in connection with such centralized processes. As provided in the Policy Statement, none of our long-term debt is attributed to the Hughes Retail Group; however, interest is charged on all inter-group payables.

Revenue and Expense Attributions

Hughes Retail Group revenue relates to services and equipment provided to retail broadband subscribers and is readily identifiable based on specific identification.

Expenses attributed to the Hughes Retail Group based on specific identification include depreciation of property and equipment and amortization of intangible assets that are attributed to the Hughes Retail Group. Certain other operating expenses, such as compensation of employees that work exclusively in the retail business, are also attributed to the Hughes Retail Group based on specific identification. A substantial portion of Hughes Retail Group cost of sales is based on specific inter-group pricing provisions of the Policy Statement, including a monthly charge per retail subscriber and charges for customer rental equipment at cost plus a fixed margin percentage. Hughes Retail Group operating expenses also reflect allocations of corporate overhead and other expenses incurred by HSS.

Cash Flow Attributions

The Hughes Retail Group participates in HSS' centralized cash management system and does not maintain separate cash accounts. Under the centralized cash management system, net advances of cash to or from the Hughes Retail Group are reflected in an inter-group receivable or payable account, which bears interest at the same rate earned by HSS on its cash and marketable investment securities portfolio. There is no allocation of HSS' long-term debt or related interest costs to the Hughes Retail Group.

Cash receipts from retail broadband subscribers and payments of certain expenses attributed to the Hughes Retail Group on a specific identification basis generally are reflected in the attributed statements of cash flows in the

period the cash is received or paid. It is not practicable to determine the timing of related cash disbursements under the centralized cash management system for other costs and expenses attributed to the Hughes Retail Group. The accompanying statements of cash flows generally presents cash flows related to such transactions when they are recognized on an accrual basis in an inter-group receivable or payable account. Periodic changes in inter-group receivables or payables generally are indicative of amounts received or paid by the HSSC Group on behalf of the Hughes Retail Group and are reported in the accompanying attributed statements of cash flows as investing activity for the Group with a net receivable balance or as financing activity for the Group with a net payable balance.

Attributions for Periods Prior to Adoption of the Policy Statement

Except as discussed below, attributions of assets, liabilities, revenue, expenses and cash flows to the Hughes Retail Group in periods prior to the adoption of the Policy Statement effective March 1, 2014 are substantially as described above. However, because the Policy Statement was not effective, the attributed financial information for periods prior to March 1, 2014 do not reflect retrospective application of specific pricing terms in the Policy Statement, such as the monthly charge per subscriber or the cost-plus-fixed-margin pricing for equipment transfers. In lieu of charges based on such specific terms, the attributed financial information for periods prior to March 1, 2014 reflect actual costs incurred for specifically identified items or are based on allocations of actual costs incurred for shared resources. In addition, because no arrangement for interest-bearing inter-group receivables or payables existed prior to March 1, 2014, no such accounts or related interest are reflected in the attributed financial information for periods prior to March 1, 2014. In such periods, HSS' equity in the net assets of the Hughes Retail Group is presented as "Equity/ Attributed net assets" and periodic changes in such equity are presented as "Inter-group equity contributions (distributions), net" within financing activities in the attributed statements of cash flows. As a result of our use of different attribution methods for certain items in periods prior to March 1, 2014, the attributed financial position, results of operations and cash flows of the Groups are not directly comparable to the corresponding attributed financial information for periods after March 1, 2014. Accordingly, the attributed financial information for periods prior to March 1, 2014 does not purport to present the attributed financial information that would have resulted if the Policy Statement had been adopted in such periods.

Note 3. Property and Equipment

Property and equipment for the Hughes Retail Group consisted of the following:

	Depreciable Life (In Years)	As of June 30, 2014	As of December 31, 2013
		(In thousands)	
Customer rental equipment	2-4	$ 420,661	$ 361,248
Accumulated depreciation		(263,280)	(210,225)
Property and equipment, net		$ 157,381	$ 151,023

Depreciation expense associated with the Hughes Retail Group property and equipment consisted of the following:

	For the Three Months Ended June 30 2014	For the Three Months Ended June 30 2013	For the Six Months Ended June 30 2014	For the Six Months Ended June 30 2013
Customer rental equipment	$ 27,287	$ 22,394	$ 53,195	$ 44,873

Total depreciation expense	$ 27,287	$ 22,394	$ 53,195	$ 44,873

Note 4. Goodwill and Other Intangible Assets

Goodwill

Goodwill is assigned to reporting units of our operating segments. A portion of the Hughes segment goodwill was attributed to the Hughes Retail Group as if the Hughes Retail Group had been a separate reporting unit at June 8, 2011, the date EchoStar completed the acquisition of Hughes Communications, Inc. Approximately $260.0 million of the $504.2 million Hughes segment goodwill was attributed to the Hughes Retail Group.

Other Intangible Assets

Other intangible assets for the Hughes Retail Group, consisted of the following:

	As of					
	June 30, 2014			December 31, 2013		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
	(In thousands)					
Customer relationships	$ 145,100	$ (104,860)	$ 40,240	$ 145,100	$ (95,063)	$ 50,037
Technology-based	23,500	(12,076)	11,424	23,500	(10,118)	13,382
Trademark portfolio	13,620	(2,100)	11,520	13,620	(1,759)	11,861
Total other intangible assets	$ 182,220	$ (119,036)	$ 63,184	$ 182,220	$ (106,940)	$ 75,280

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Amortization expense was $6.1 million and $7.5 million for the three months ended June 30, 2014 and 2013, respectively, and $12.1 million and $15.1 million for the six months ended June 30, 2014 and 2013, respectively.

Note 5. Income Taxes

We establish a provision for income taxes currently payable or receivable and for income tax amounts deferred to future periods based upon a separate return allocation method which results in income tax expense that approximates the expense that would result if the Hughes Retail Group was a stand-alone entity. Deferred tax assets and liabilities are recorded for the estimated future tax effects of differences that exist between the financial reporting carrying amount and tax bases of assets and liabilities. Deferred tax assets are offset by valuation allowances when we determine it is more likely than not that such deferred tax assets will not be realized in the foreseeable future.

In accordance with the Policy Statement, all income tax obligations and benefits that arose prior to March 1, 2014, except for deferred income taxes related to differences between the financial reporting carrying amounts and tax bases of the Hughes Retail Group assets and liabilities, are attributable to the HSSC Group. Because no arrangements for inter-group settlement of income taxes existed prior to March 1, 2014, no inter-group receivables or payables were recognized for attributed income tax expenses or benefits related to operations for periods prior to March 1, 2014.

Note 6. Equity/ Attributed Net Assets

The reported amounts of equity/attributed net assets for the Hughes Retail Group and the HSSC Group represent the excess of attributed assets over attributed liabilities for the respective Groups. HSSC Group equity reflects EchoStar's aggregate 71.89% economic interest in the net assets of the Hughes Retail Group, which comprises DISH Network's 51.89% economic interest in the Hughes Retail Group represented by EchoStar Tracking Stock and EchoStar's 20.0% retained interest in the Hughes Retail Group.

Hughes Retail Group equity/attributed net assets consisted of attributed paid-in capital and accumulated earnings as follows:

	As of	
	June 30, 2014	December 31, 2013
	(In thousands)	
Attributed paid-in-capital	$ 456,122	$ 456,686
Attributed accumulated earnings (deficit):		
Periods prior to March 1, 2014	33,395	32,166
Periods beginning March 1, 2014	(6,913)	—
Total	26,482	32,166
Total equity/ attributed net assets	$ 482,604	$ 488,852