UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016.

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

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

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

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

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 ☒ 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 ☒

As of October 31, 2016, 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 ("Form 10-Q") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including but not limited to statements about our estimates, expectations, plans, objectives, strategies, 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 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 and its subsidiaries ("DISH Network"), for a significant portion of our revenue;
- our ability to implement our strategic initiatives;
- our ability to bring advanced technologies to market to keep pace with our customers and competitors;
- risk related to our foreign operations and other uncertainties associated with doing business internationally, including changes in foreign exchange rates between foreign currencies and the United States dollar, economic instability and political disturbances;
- 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, risks resulting from delays of launches 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;
- our 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 Form 10-Q and in Part I, Item 1A of our most recent Annual Report on Form 10-K ("Form 10-K") filed with the Securities and Exchange Commission ("SEC"), those discussed in "Management's Narrative Analysis of Results of Operations" herein and in our Form 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, whether as a result of new information, future events or otherwise, except as required by law.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, events, levels of activity, performance or achievements. We do not assume responsibility for the accuracy and completeness of the forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in any documents we file with the SEC.

Should one or more of the risks or uncertainties described herein or in any documents we file with the SEC occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

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PART I — FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

	As of	
	September 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,847,587	$ 382,990
Marketable investment securities, at fair value	377,025	253,343
Trade accounts receivable, net of allowance for doubtful accounts of $13,167 and $11,447, respectively	161,668	139,510
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	24,526	21,258
Inventory	63,611	48,797
Prepaids and deposits	35,795	38,222
Advances to affiliates, net	96,974	47,387
Other current assets	12,830	13,273
Total current assets	2,620,016	944,780
Noncurrent Assets:		
Restricted cash and cash equivalents	12,526	20,140
Property and equipment, net of accumulated depreciation of $2,412,895 and $2,138,642, respectively	2,315,349	2,265,402
Regulatory authorizations	471,658	471,658
Goodwill	504,173	504,173
Other intangible assets, net	89,406	115,420
Investments in unconsolidated entities	39,874	41,481
Other noncurrent assets, net	301,904	208,225
Total noncurrent assets	3,734,890	3,626,499
Total assets	$ 6,354,906	$ 4,571,279
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 115,540	$ 97,648
Trade accounts payable - DISH Network	6	19
Current portion of long-term debt and capital lease obligations	31,894	30,284
Advances from affiliates, net	4,461	3,773
Deferred revenue and prepayments	58,247	57,493
Accrued interest	56,869	8,310
Accrued compensation	17,296	18,932
Accrued expenses and other	78,417	96,501
Total current liabilities	362,730	312,960
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	3,628,924	2,154,988
Deferred tax liabilities, net	510,073	452,350
Advances from affiliates	31,089	25,283
Other noncurrent liabilities	84,696	84,058
Total noncurrent liabilities	4,254,782	2,716,679
Total liabilities	4,617,512	3,029,639
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 at each of September 30, 2016 and December 31, 2015	—	—
Common stock, $0.01 par value; 1,000,000 shares authorized, 1,000 shares issued and outstanding at each of September 30, 2016 and December 31, 2015	—	—
Additional paid-in capital	1,503,222	1,417,748
Accumulated other comprehensive loss	(43,768)	(54,116)
Accumulated earnings	265,870	166,698
Total HSS shareholders' equity	1,725,324	1,530,330

Noncontrolling interests	12,070	11,310
Total shareholders’ equity	1,737,394	1,541,640
Total liabilities and shareholders’ equity	$ 6,354,906	$ 4,571,279

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 September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenue:				
Services and other revenue - DISH Network	$ 111,750	$ 132,013	$ 337,353	$ 394,937
Services and other revenue - other	276,877	276,307	821,863	817,307
Equipment revenue - DISH Network	2,138	3,106	7,008	6,992
Equipment revenue - other	66,501	52,605	160,886	154,505
Total revenue	457,266	464,031	1,327,110	1,373,741
Costs and Expenses:				
Cost of sales - services and other (exclusive of depreciation and amortization)	130,587	131,861	381,964	394,327
Cost of sales - equipment (exclusive of depreciation and amortization)	53,601	48,543	144,029	142,537
Selling, general and administrative expenses	67,874	68,303	207,974	203,871
Research and development expenses	9,030	6,809	23,524	18,876
Depreciation and amortization	104,774	109,158	309,448	324,797
Total costs and expenses	365,866	364,674	1,066,939	1,084,408
Operating income	91,400	99,357	260,171	289,333
Other Income (Expense):				
Interest income	4,006	1,135	7,427	3,391
Interest expense, net of amounts capitalized	(53,536)	(40,907)	(127,626)	(129,559)
Loss from partial redemption of debt	—	—	—	(5,044)
Other-than-temporary impairment loss on available-for-sale securities	—	(1,201)	—	(5,850)
Gains (losses) on marketable investment securities, net	5	(3,921)	5,300	(5,534)
Equity in earnings of unconsolidated affiliate	2,654	2,305	6,758	4,943
Other, net	(24)	2,631	5,365	921
Total other expense, net	(46,895)	(39,958)	(102,776)	(136,732)
Income before income taxes	44,505	59,399	157,395	152,601
Income tax provision	(16,416)	(22,167)	(57,277)	(58,520)
Net income	28,089	37,232	100,118	94,081
Less: Net income attributable to noncontrolling interests	524	209	946	1,006
Net income attributable to HSS	$ 27,565	$ 37,023	$ 99,172	$ 93,075
Comprehensive Income:				
Net income	$ 28,089	$ 37,232	$ 100,118	$ 94,081
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,255	(17,688)	10,607	(26,935)
Unrealized gains (losses) on available-for-sale securities and other	750	(6,507)	2,543	(3,194)
Recognition of other-than-temporary loss on available-for-sale securities in net income	—	1,201	—	5,850
Recognition of realized gains on available-for-sale securities in net income	(4)	—	(2,989)	(11)
Total other comprehensive income (loss), net of tax	2,001	(22,994)	10,161	(24,290)
Comprehensive income	30,090	14,238	110,279	69,791
Less: Comprehensive income (loss) attributable to noncontrolling interests	524	(111)	760	686
Comprehensive income attributable to HSS	$ 29,566	$ 14,349	$ 109,519	$ 69,105

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 Nine Months Ended September 30,	
	2016	2015
Cash Flows from Operating Activities:		
Net income	$ 100,118	$ 94,081
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	309,448	324,797
Equity in earnings of unconsolidated affiliate	(6,758)	(4,943)
Amortization of debt issuance costs	4,793	4,533
Loss from partial redemption of debt	—	5,044
Losses (gains) and impairment on marketable investment securities, net	(5,300)	11,384
Stock-based compensation	3,696	3,893
Deferred tax provision	54,731	55,597
Dividends received from unconsolidated entity	10,000	—
Proceeds from sale of trading securities	7,140	380
Changes in current assets and current liabilities, net	(43,377)	(49,051)
Changes in noncurrent assets and noncurrent liabilities, net	7,600	4,623
Other, net	4,725	(3,530)
Net cash flows from operating activities	446,816	446,808
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(396,730)	(132,741)
Sales and maturities of marketable investment securities	265,680	197,899
Purchases of property and equipment	(312,003)	(292,347)
Expenditures for externally marketed software	(17,991)	(16,905)
Changes in restricted cash and cash equivalents	7,614	(313)
Investment in unconsolidated entity	(1,636)	—
Payment for EchoStar XXI launch services	(11,875)	—
Other, net	—	(9)
Net cash flows from investing activities	(466,941)	(244,416)
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt	1,500,000	—
Payments of debt issuance costs	(6,275)	—
Repayment of 6 1/2% Senior Secured Notes Due 2019 and related premium	—	(113,300)
Repayment of other debt and capital lease obligations	(24,052)	(31,578)
Advances from affiliates	5,481	3,699
Capital contribution from EchoStar	11,875	—
Other, net	(2,967)	(1,688)
Net cash flows from financing activities	1,484,062	(142,867)
Effect of exchange rates on cash and cash equivalents	660	(6,980)
Net increase in cash and cash equivalents	1,464,597	52,545
Cash and cash equivalents, beginning of period	382,990	225,557
Cash and cash equivalents, end of period	$ 1,847,587	$ 278,102
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest (including capitalized interest)	$ 96,418	$ 102,132
Capitalized interest	$ 22,811	$ 10,047
Cash paid for income taxes	$ 3,856	$ 3,964
Property and equipment financed under capital lease obligations	$ 650	$ 401
Reduction of capital lease obligation for AMC-15 and AMC-16 satellites	$ —	$ 4,500
Increase (decrease) in capital expenditures included in accounts payable, net	$ (8,587)	$ 3,704
Transfer of EchoStar XXI launch contract from EchoStar to HNS	$ —	$ 52,250
Transfer of EchoStar XXIII launch contract from EchoStar to HNS	$ 70,300	$ —

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 (which, 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 service operations, video delivery solutions, broadband satellite technologies and broadband services for home and office customers. We deliver innovative network technologies, managed services, and various communications solutions for enterprise and government customers.

We currently operate in the following two business segments:

- ***Hughes*** — which provides broadband satellite technologies and broadband services to home and office customers and network technologies, managed services and communication solutions to domestic and international consumer, enterprise and government customers. The Hughes segment also provides managed services, hardware, and satellite services to large enterprises and government customers, and designs, provides and installs gateway and terminal equipment to customers for other satellite systems.

- ***EchoStar Satellite Services ("ESS")*** — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite service operations and video delivery solutions on a full-time and occasional-use basis primarily to DISH Network Corporation and its subsidiaries ("DISH Network"), Dish Mexico, S. de R.L. de C.V. ("Dish Mexico"), a joint venture that EchoStar entered into in 2008, United States ("U.S.") government service providers, 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 the principal operating subsidiary of its satellite services business, EchoStar Satellite Services L.L.C., to us. In addition, as a result of the Satellite and Tracking Stock Transaction described in Note 3 below and in our most recent Annual Report on Form 10-K, DISH Network owns shares of our preferred tracking stock representing a 28.11% economic interest in the residential retail satellite broadband business of our Hughes segment. DISH Network also owns shares of preferred tracking stock issued by EchoStar Corporation, which together with our preferred tracking stock represents an aggregate 80.0% economic interest in the residential retail satellite broadband business of our Hughes segment. The tracking stock is an equity security and the rights of DISH Network, as the holder of the tracking stock, in our assets are subject to the claims of our creditors.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information and notes required for complete financial statements prepared in conformity 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 Form 10-K for the year ended December 31, 2015.

Principles of Consolidation

We consolidate all entities in which we have a controlling financial interest. We are deemed to have a controlling financial interest in variable interest entities where we are the primary beneficiary. We are deemed to have a controlling financial interest in other entities when we own more than 50 percent of the outstanding voting shares and other shareholders do not have substantive rights to participate in management. 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. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity 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 our condensed consolidated financial statements. Estimates are used in accounting for, among other things, amortization periods for deferred subscriber acquisition costs, revenue recognition using the percentage-of-completion method, 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 EchoStar's stock-based compensation awards, fair value of assets and liabilities acquired in business combinations, lease classifications, asset impairment testing, useful lives and methods for depreciation and amortization of long-lived assets, and certain royalty obligations. We base our estimates and assumptions on historical experience, observable market inputs and on various other factors that we believe to be relevant under the circumstances. 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. Changing economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. We review our estimates and assumptions 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 characteristics of the asset or liability that would be considered by market participants in a transaction to purchase or sell the asset or liability.

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 each of the nine months ended September 30, 2016 or 2015.

As of September 30, 2016 and December 31, 2015, the carrying amounts 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 and U.S. government 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 other marketable debt securities generally are based on Level 2 measurements as the markets for such 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 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. As of September 30, 2016 and December 31, 2015, the fair values of our in-orbit incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of $75.2 million and $79.3 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. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Research and Development

Costs incurred in research and development activities generally are expensed as incurred. A significant portion of our research and development costs are incurred in connection with the specific requirements of a customer's order. In such instances, the amounts for these customer funded development efforts are included in cost of sales.

Cost of sales includes research and development costs incurred in connection with customer's orders of approximately $11.1 million and $4.8 million for the three months ended September 30, 2016 and 2015, respectively, and $17.2 million and $15.7 million for the nine months ended September 30, 2016 and 2015, respectively. In addition, we incurred other research and development expenses of approximately $9.0 million and $6.8 million for the three months ended September 30, 2016 and 2015, respectively, and $23.5 million and $18.9 million for the nine months ended September 30, 2016 and 2015, respectively.

Capitalized Software Costs

Costs related to the procurement and development of software for internal-use and externally marketed software are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Capitalized costs of internal-use software are included in "Property and equipment, net" and capitalized costs of externally marketed software are included in "Other noncurrent assets, net" in our condensed consolidated balance sheets. Externally marketed software is generally installed in the equipment we sell to customers. We conduct software program reviews for externally marketed capitalized software costs at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs are recoverable and to ensure that costs associated with programs that are no longer generating revenue are expensed. As of September 30, 2016 and December 31, 2015, the net carrying amount of externally marketed software was $73.6 million and $62.8 million, respectively, of which $45.6 million and $32.6 million, respectively is under development and not yet placed in service. We capitalized costs related to the development of externally marketed software of $6.2 million and $5.3 million for the three months ended September 30, 2016 and 2015, respectively, and $18.5 million and $17.0 million for the nine months ended September 30, 2016 and 2015, respectively. We recorded amortization expense relating to the development of externally marketed software of $2.5 million and $2.2 million for the three months ended September 30, 2016 and 2015, respectively, and $7.2 million and $6.1 million for the nine months ended September 30, 2016 and 2015, respectively. The weighted average useful life of our externally marketed software was approximately three years as of September 30, 2016.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") 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." In August 2015, the FASB issued Accounting Standards Update No. 2015-14, which deferred the mandatory effective date of ASU 2014-09 by one year. As a result, public entities are required to adopt the new revenue standard in annual periods beginning after December 15, 2017 and in interim periods within those annual periods. The standard may be applied either retrospectively to prior periods or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted, but not before annual periods beginning after December 15, 2016. In March 2016, the FASB issued Accounting Standards Update No. 2016-08, Principal versus Agent Considerations, which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued Accounting Standards Update No. 2016-10, Identifying Performance Obligations and Licensing, which amends guidance on identifying performance obligations and accounting for licenses of intellectual property. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, Narrow-Scope Improvements and Practical Expedients, which addresses collectibility, noncash consideration, completed contracts at transition, a practical expedient for contract modifications at transition, and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. We have not determined when we will adopt the new revenue standard or selected the transition method that we will apply upon adoption. We continue to evaluate the impact of the new standard and available adoption methods on our consolidated financial statements. We are in the process of evaluating arrangements with customers and identifying differences in accounting between new and old standards.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). This standard amends the consolidation guidance for variable interest entities and general partners' investments in limited partnerships and similar entities. ASU 2015-02 was effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods, and required either a retrospective or a modified retrospective approach as of the beginning of the fiscal year of adoption. We adopted ASU 2015-02 in the first quarter of 2016. The adoption of the standard did not impact our consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). This standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. ASU 2015-03 was effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods, and required a retrospective approach to adoption. We adopted ASU 2015-03 in the first quarter of 2016. Upon adoption, we presented unamortized debt issuance cost previously reported in "Other noncurrent assets, net" with a carrying amount of $31.3 million as of December 31, 2015, as a reduction of our "Long-term debt and capital lease obligations, net of unamortized debt issuance costs".

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). This update substantially revises standards for the recognition, measurement and presentation of financial instruments, including requiring all equity investments to be measured at fair value with changes in the fair value recognized through net income. It also amends certain disclosure requirements associated with the fair value of financial instruments. ASU 2016-01 is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, with early adoption permitted for certain requirements. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases ("ASU 2016-02"). This standard requires lessees to recognize assets and liabilities for all leases with lease terms more than 12 months, including leases classified as operating leases. The standard also modifies the definition of a lease and the criteria for classifying leases as operating leases or financing leases. ASU 2016-02 is effective for annual periods beginning after December 15, 2018 and interim periods within those periods. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"), which simplifies the accounting for share-based payment awards. This update requires all excess tax benefits and deficiencies to be recognized as income tax expense or benefit and permits an entity to make an entity-wide policy election to either estimate forfeitures or recognize forfeitures as they occur. ASU 2016-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those periods. The update specifies requirements for retrospective, modified retrospective or prospective application for the various amendments contained in the update. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU 2016-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those periods. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual periods beginning after December 15, 2017 and interim periods within those periods. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

Note 3. Hughes Retail Preferred Tracking Stock

Satellite and Tracking Stock Transaction

In February 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 economic performance of 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"). The shares of the Tracking Stock issued to DISH Network represent an aggregate 80.0% economic interest in the Hughes Retail Group (the shares issued as HSS Tracking Stock represent a 28.11% economic interest in the Hughes Retail Group and the shares issued as EchoStar Tracking Stock represent a 51.89% economic interest in the Hughes Retail Group). 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 Satellite and Tracking Stock Transaction was consistent with the long-term strategy of the Company to increase the scale of its satellite services business, which provides high-margin revenues, while continuing to benefit from the growth of the satellite broadband business. As a result of the additional satellites received in the Satellite and Tracking Stock Transaction, HSS increased short-term cash flow that it believes better positions it to achieve its strategic objectives.

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 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.

We provide unaudited attributed financial information for HRG and the HSSC Group in an exhibit to our periodic reports on Form 10-Q and Annual Report on Form 10-K. For a description of the Tracking Stock and the initial recording of the Satellite and Tracking Stock Transaction in our consolidated financial statements, as well as the purpose and effect of the transaction on the Company and holders of shares of HSS common stock, see Note 3 to the consolidated financial statements in our most recent Annual Report on Form 10-K.

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 $43.1 million and $53.8 million as of September 30, 2016 and December 31, 2015, respectively.

Reclassifications out of accumulated other comprehensive loss for the three and nine months ended September 30, 2016 and 2015 were as follows:

Accumulated Other Comprehensive Loss Components	Affected Line Item in our Condensed Consolidated Statements of Operations	For the Three Months Ended September 30, 2016	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2016	For the Nine Months Ended September 30, 2015
		(In thousands)			
Recognition of realized gains on available-for-sale securities in net income (1)	Gains (losses) on marketable investment securities, net	$ (4)	$ —	$ (2,989)	$ (11)
Recognition of other-than-temporary impairment loss on available-for-sale securities in net income (2)	Other-than-temporary impairment loss on available-for-sale securities	—	1,201	—	5,850
Total reclassifications, net of tax and noncontrolling interests		$ (4)	$ 1,201	$ (2,989)	$ 5,839

(1) When available-for-sale securities are sold, the related unrealized gains and losses that were previously recognized in other comprehensive income (loss) are reclassified and recognized as "Gains (losses) on marketable investment securities, net" in our condensed consolidated statements of operations and comprehensive income (loss).
(2) In June 2015 and September 2015, we recorded other-than-temporary impairment losses on shares of certain common stock included in our strategic equity securities.

Note 5. Investment Securities

Our marketable investment securities and investments in unconsolidated entities consisted of the following:

	As of September 30, 2016	As of December 31, 2015
	(In thousands)	
Marketable investment securities—current, at fair value:		
Corporate bonds	$ 349,109	$ 228,770
Strategic equity securities	9,513	18,297
Other	18,403	6,276
Total marketable investment securities—current	377,025	253,343
Investments in unconsolidated entities—noncurrent:		
Cost method	15,438	15,438
Equity method	24,436	26,043
Total investments in unconsolidated entities—noncurrent	39,874	41,481
Total marketable investment securities and investments in unconsolidated entities	$ 416,899	$ 294,824

Marketable Investment Securities

Our marketable investment securities portfolio consists of various debt and equity instruments, which generally are classified as available-for-sale or trading securities depending on our investment strategy for those securities. The value of our investment portfolio depends on the value of such securities and other instruments comprising the portfolio.

Corporate Bonds

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

Strategic Equity Securities

Our strategic investment portfolio consists of investments in shares of common stock of public companies, which are highly speculative and have experienced and continue to experience volatility. We did not receive any dividend income for the three and nine months ended September 30, 2016 or 2015.

For the three and nine months ended September 30, 2016, “Gains (losses) on marketable investment securities, net” included losses of zero and $1.0 million, respectively, related to trading securities that we held as of September 30, 2016. For each of the three and nine months ended September 30, 2015, “Gains (losses) on marketable investment securities, net” included losses of $3.9 million and $5.5 million, respectively, related to trading securities that we held as of September 30, 2015.

Other

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

Unrealized Gains (Losses) on Available-for-Sale Securities

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

	Amortized	Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
	(In thousands)			
As of September 30, 2016				
Debt securities:				
Corporate bonds	$ 349,019	$ 167	$ (77)	$ 349,109
Other	18,397	6	—	18,403
Equity securities - strategic	4,833	—	(833)	4,000
Total	$ 372,249	$ 173	$ (910)	$ 371,512
As of December 31, 2015				
Debt securities:				
Corporate bonds	$ 229,004	$ 2	$ (236)	$ 228,770
Other	6,279	—	(3)	6,276
Equity securities - strategic	8,037	—	(82)	7,955
Total	$ 243,320	$ 2	$ (321)	$ 243,001

As of September 30, 2016, restricted and non-restricted available-for-sale securities included debt securities of $343.9 million with contractual maturities of one year or less and $23.6 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.

Available-for-Sale Securities in a Loss Position

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

	As of			
	September 30, 2016		December 31, 2015	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
Less than 12 months	$ 146,400	$ (902)	$ 148,629	$ (268)
12 months or more	1,564	(8)	67,751	(53)
Total	$ 147,964	$ (910)	$ 216,380	$ (321)

Sales of Marketable Investment Securities

We recognized gains from the sales of our available-for-sale securities of de minimis and $3.0 million for the three and nine months ended September 30, 2016, respectively, and de minimis gains for each of the three and nine months ended September 30, 2015. We recognized de minimis losses from the sales of our available-for-sale securities for each of the three and nine months ended September 30, 2016 and 2015.

Proceeds from sales of our available-for-sale securities totaled zero and $4.0 million for the three months ended September 30, 2016 and 2015, respectively, and $17.6 million and $14.6 million for the nine months ended September 30, 2016 and 2015, 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 September 30, 2016 and December 31, 2015, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

	As of					
	September 30, 2016			December 31, 2015		
	Total	Level 1	Level 2	Total	Level 1	Level 2
	(In thousands)					
Cash equivalents	$ 1,779,676	$ 1,896	$ 1,777,780	$ 303,152	$ 213	$ 302,939
Debt securities:						
Corporate bonds	$ 349,109	$ —	$ 349,109	$ 228,770	$ —	$ 228,770
Other	18,403	—	18,403	6,276	—	6,276
Equity securities - strategic	9,513	9,513	—	18,297	18,297	—
Total marketable investment securities	$ 377,025	$ 9,513	$ 367,512	$ 253,343	$ 18,297	$ 235,046

Investments in Unconsolidated Entities — Noncurrent

We have several strategic investments in certain non-publicly traded 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.

In June 2016, we recorded a $10.0 million cash distribution from our investment accounted for using the equity method that was determined to be a return on investment and reported in cash flows from operating activities in our condensed consolidated statement of cash flows.

Note 6. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of	
	September 30, 2016	December 31, 2015
	(In thousands)	
Trade accounts receivable	$ 148,649	$ 127,946
Contracts in process, net	26,186	23,011
Total trade accounts receivable	174,835	150,957
Allowance for doubtful accounts	(13,167)	(11,447)
Trade accounts receivable - DISH Network	24,526	21,258
Total trade accounts receivable, net	$ 186,194	$ 160,768

As of September 30, 2016 and December 31, 2015, progress billings offset against contracts in process amounted to $3.9 million and $2.9 million, respectively.

Note 7. Inventory

Our inventory consisted of the following:

	As of	
	September 30, 2016	December 31, 2015
	(In thousands)	
Finished goods	$ 47,354	$ 39,642
Raw materials	7,208	5,280
Work-in process	9,049	3,875
Total inventory	$ 63,611	$ 48,797

Note 8. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of	
		September 30, 2016	December 31, 2015
		(In thousands)	
Land	—	$ 13,363	$ 12,055
Buildings and improvements	1 - 30	80,020	73,949
Furniture, fixtures, equipment and other	1 - 12	417,355	371,889
Customer rental equipment	2 - 4	662,994	588,430
Satellites - owned	2 - 15	2,381,120	2,381,120
Satellites acquired under capital leases	10 - 15	782,845	665,518
Construction in progress	—	390,547	311,083
Total property and equipment		4,728,244	4,404,044
Accumulated depreciation		(2,412,895)	(2,138,642)
Property and equipment, net		$ 2,315,349	$ 2,265,402

Construction in progress consisted of the following:

	As of	
	September 30, 2016	December 31, 2015
	(In thousands)	
Progress amounts for satellite construction, including prepayments under capital leases and launch services costs	$ 220,177	$ 187,253
Satellite related equipment	141,634	104,566
Other	28,736	19,264
Construction in progress	$ 390,547	$ 311,083

Construction in progress included the following owned and leased satellites under construction or undergoing in-orbit testing as of September 30, 2016.

Satellites	Segment	Expected Launch Date
EchoStar 105/SES-11	ESS	First half of 2017
Telesat T19V (“63 West”) (1)	Hughes	Second quarter of 2018

(1) We entered into a satellite services agreement and made prepayments for certain capacity on this satellite once launched, but are not a party to the construction contract.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Satellites	$ 46,965	$ 51,436	$ 140,895	$ 149,677
Furniture, fixtures, equipment and other	16,739	13,674	44,883	40,949
Customer rental equipment	28,652	30,839	86,789	91,550
Buildings and improvements	1,042	1,270	3,151	3,837
Total depreciation expense	$ 93,398	$ 97,219	$ 275,718	$ 286,013

Satellites

As of September 30, 2016, we utilized in support of our operations, 17 of our owned and leased satellites in geosynchronous orbit, approximately 22,300 miles above the equator. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite. Three of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over their respective lease terms. We utilized one satellite that is accounted for as an operating lease and not included in property and equipment as of September 30, 2016.

Recent Developments

Eutelsat 65 West A. The Eutelsat 65 West A satellite was launched in March 2016 and our Hughes segment began to offer consumer broadband services in Brazil using our leased Ka-band payload on the satellite in July 2016.

EchoStar 105/SES-11. Due to anomalies experienced by our launch provider, the expected launch date of our EchoStar 105/SES-11 satellite has been delayed until the first half of 2017. Our Ku-band payload on the EchoStar 105/SES-11 satellite will replace our current capacity on the AMC-15 satellite.

Satellite Anomalies

Our satellites may experience anomalies from time to time, some of which may have a significant adverse impact on their remaining useful lives, the commercial operation of the satellites or our operating results. We are not aware of any anomalies with respect to our owned or leased satellites that have had any such material adverse effect during the nine months ended September 30, 2016. There can be no assurance, however, that anomalies will not have any such adverse impacts in the future. 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.

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 the reporting units within our operating segments and is subject to impairment testing annually, or more frequently when events or changes in circumstances indicate the fair value of a reporting unit is more likely than not less than its carrying amount.

As of September 30, 2016 and December 31, 2015, all of our goodwill was assigned to reporting units of our Hughes segment. We test this goodwill for impairment annually in the second quarter. Based on our qualitative assessment of impairment of reporting units' goodwill in the second quarter of 2016, we determined that it was not more likely than not that the fair values of the Hughes segment reporting units were less than the corresponding carrying amounts, including goodwill.

Other Intangible Assets

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

	Weighted Average Useful Life (in Years)	As of					
		September 30, 2016			December 31, 2015		
		Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
		(In thousands)					
Customer relationships	8	$ 270,300	$ (208,385)	$ 61,915	$ 270,300	$ (189,910)	$ 80,390
Contract-based	4	64,800	(64,800)	—	64,800	(64,800)	—
Technology-based	6	51,417	(45,706)	5,711	51,417	(39,281)	12,136
Trademark portfolio	20	29,700	(7,920)	21,780	29,700	(6,806)	22,894
Total other intangible assets		$ 416,217	$ (326,811)	$ 89,406	$ 416,217	$ (300,797)	$ 115,420

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. Intangible asset amortization expense, including amortization of regulatory authorizations with finite lives and externally marketed capitalized software, was $11.4 million and $11.9 million for the three months ended September 30, 2016 and 2015, respectively, and $33.7 million and $38.8 million for the nine months ended September 30, 2016 and 2015, respectively.

Note 10. Debt and Capital Lease Obligations

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

		As of			
		September 30, 2016		December 31, 2015	
	Effective Interest Rate	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In thousands)			
6 1/2% Senior Secured Notes due 2019	6.959%	$ 990,000	$ 1,084,674	$ 990,000	$ 1,071,675
7 5/8% Senior Unsecured Notes due 2021	8.062%	900,000	962,973	900,000	954,000
5 1/4% Senior Secured Notes due 2026	5.317%	750,000	742,500	—	—
6 5/8% Senior Unsecured Notes due 2026	6.685%	750,000	726,765	—	—
Other		—	—	803	803
Less: Unamortized debt issuance costs		(33,616)	—	(31,276)	—
Subtotal		3,356,384	$ 3,516,912	1,859,527	$ 2,026,478
Capital lease obligations		304,434		325,745	
Total debt and capital lease obligations		3,660,818		2,185,272	
Less: Current portion		(31,894)		(30,284)	
Long-term debt and capital lease obligations, net of unamortized debt issuance costs		$ 3,628,924		$ 2,154,988	

The fair values of our debt are estimates categorized within Level 2 of the fair value hierarchy.

On May 6, 2016, we offered to repurchase for cash all or any part of our outstanding 6 1/2% Senior Secured Notes due 2019 (the “2019 Senior Secured Notes”) and our outstanding 7 5/8% Senior Notes due 2021 (the “2021 Senior Unsecured Notes”) at a purchase price equal to 101% of the aggregate principal amount thereof, together with accrued and unpaid interest thereon to the date of repurchase. The Change of Control Offers expired on June 6, 2016, with none of the 2019 Senior Secured Notes or the 2021 Senior Unsecured Notes tendered for repurchase.

Issuance of Secured and Unsecured Notes

On July 27, 2016, we issued $750 million aggregate principal amount of 5.250% Senior Secured Notes due August 1, 2026 (the “2026 Senior Secured Notes”) pursuant to an Indenture dated July 27, 2016 (the “2016 Secured Indenture”) at an issue price of 100% of their aggregate principal amount and $750 million aggregate principal amount of 6.625% Senior Unsecured Notes due August 1, 2026 (the “2026 Senior Unsecured Notes” and together with the 2026 Senior Secured Notes, the “2026 Notes”) pursuant to an Indenture dated July 27, 2016 (the “2016 Unsecured Indenture” and together with the 2016 Secured Indenture, the “2016 Indentures”) at an issue price of 100% of their aggregate principal amount. Interest on the 2026 Notes will be payable semi-annually on February 1 and August 1 of each year commencing February 1, 2017.

The 2026 Notes are redeemable, in whole or in part at any time at a redemption price equal to 100% of the principal amount, plus accrued and unpaid interest to the date of redemption and a “make-whole” premium calculated under the 2016 Indentures. We may also redeem up to 10% of the outstanding 2026 Senior Secured Notes per year prior to August 1, 2020 at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. In addition, may, at any time prior to August 1, 2019, with the net cash proceeds from certain equity offerings or capital contributions, redeem up to 35% of the 2026 Senior Secured Notes, at 105.25% of the principal amount, and up to 35% of the 2026 Senior Unsecured Notes, at a redemption price equal to 106.625% of the principal amount plus, in each case, accrued and unpaid interest on the 2026 Notes being redeemed to the date of redemption.

The 2026 Senior Secured Notes are:

- our secured obligations;
- secured by security interests in substantially all of our and certain of our subsidiaries, existing and future tangible and intangible assets on a first priority basis, subject to certain exceptions;

- ranked equally and ratably with the existing 2019 Senior Secured Notes;
- effectively junior to our obligations that are secured by assets that are not part of the collateral that secures the 2026 Senior Secured Notes, in each case, to the extent of the value of the collateral securing such obligations;
- effectively senior to our existing and future unsecured obligations to the extent of the value of the collateral securing the 2026 Senior Secured Notes, after giving effect to permitted liens as provided in the 2016 Secured Indenture;
- senior in right of payment to all of our existing and future obligations that are expressly subordinated to the 2026 Senior Secured Notes;
- structurally junior to any of our existing and future obligations that do not guarantee the 2026 Senior Secured Notes; and
- unconditionally guaranteed, jointly and severally, on a general senior secured basis by certain of our subsidiaries, which guarantees rank equally with all of the guarantors' existing and future unsubordinated indebtedness and effectively senior to such guarantors' existing and future obligations to the extent of the value of the assets securing the 2026 Senior Secured Notes.

The 2026 Senior Unsecured Notes are:

- our unsecured senior obligations;
- ranked equally with all existing and future unsubordinated indebtedness and effectively junior to any secured indebtedness up to the value of the assets securing such indebtedness;
- effectively junior to our obligations that are secured to the extent of the value of the collateral securing such obligations;
- senior in right of payment to all of our existing and future obligations that are expressly subordinated to the 2026 Senior Unsecured Notes;
- structurally junior to any existing and future obligations of our that do not guarantee the 2026 Senior Unsecured Notes; and
- unconditionally guaranteed, jointly and severally, on a general senior secured basis by certain of our subsidiaries, which guarantees rank equally with all of the guarantors' existing and future unsubordinated indebtedness, and effectively junior to any secured indebtedness of the guarantors up to the value of the assets securing such indebtedness.

The 2026 Notes are guaranteed by the same subsidiary guarantors that currently guarantee the 2019 Senior Secured Notes and the 2021 Senior Unsecured Notes.

Subject to certain exceptions, the 2016 Indentures contain restrictive covenants that, among other things, impose limitations on our ability and, in certain instances, the ability of certain of our subsidiaries to:

- incur additional debt;
- pay dividends or make distributions on our capital stock or repurchase our capital stock;
- make certain investments;
- create liens or enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- merge or consolidate with another company;
- transfer and sell assets; and
- allow to exist certain restrictions on the ability of certain of our subsidiaries to pay dividends, make distributions, make other payments, or transfer assets to us.

In the event of a Change of Control, as defined in the 2016 Indentures, we would be required to make an offer to repurchase all or any part of a holder's 2026 Notes at a purchase price equal to 101.0% of the aggregate principal amount thereof, together with accrued and unpaid interest to the date of repurchase.

The 2016 Indentures provide for customary events of default, including, among other things, nonpayment, breach of the covenants in the 2016 Indentures, payment defaults or acceleration of other indebtedness, a failure to pay certain judgments and certain events of bankruptcy, insolvency and reorganization. If any event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the applicable then outstanding 2026 Notes may declare all the applicable 2026 Notes to be due and payable immediately, together with any accrued and unpaid interest.

As discussed above, we and certain of our subsidiaries have granted a first priority security interest in substantially all our and their assets, subject to certain exceptions and permitted liens, to secure our obligations under the 2019 Senior Secured Notes and the 2026 Senior Secured Notes.

Under the terms of a registration rights agreement, we have agreed to register notes having substantially identical terms as the 2026 Notes with the SEC as part of an offer to exchange freely tradable exchange notes for the 2026 Notes

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 income and losses from investments for which we have a full valuation allowance, changes in tax laws and relative changes in unrecognized tax benefits. 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 $57.3 million and $58.5 million for the nine months ended September 30, 2016 and 2015, respectively. Our estimated effective income tax rate was 36.4% and 38.3% for the nine months ended September 30, 2016 and 2015, respectively. The variations in our current year effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2016 were primarily due to the impact of state and local taxes, partially offset by research and experimentation credits. For the nine months ended September 30, 2015, the variation in our effective tax rate from the U.S. federal statutory rate was primarily due to the impact of state and local taxes.

Note 12. Commitments and Contingencies

Commitments

As of September 30, 2016, our satellite-related obligations were approximately $693.7 million. Our satellite-related obligations primarily include payments pursuant to agreements for the construction of the EchoStar XIX, EchoStar XXI, EchoStar XXIII, and EchoStar 105/SES-11 satellites; payments pursuant to launch services contracts and regulatory authorizations, executory costs for our capital lease satellites; costs under satellite service agreements and in-orbit incentives relating to certain satellites; as well as commitments for long-term satellite operating leases and satellite service arrangements.

Contingencies

Patents and Intellectual Property

Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services directly or indirectly related to those that we offer. We may not be aware of all patents and other intellectual property rights that our products and services may potentially infringe. Damages in patent infringement cases can be substantial, and in certain circumstances can be trebled. Further, we cannot estimate the extent to which we may be required in the future to obtain licenses with respect to intellectual property rights held by others and the availability and cost of any such licenses. Various parties have asserted patent and other intellectual property rights with respect to components within our direct broadcast satellite ("DBS") products and services. We cannot be certain that these persons do not own the rights they claim, that these rights are not valid or that our products and services do not infringe on these rights. Further, we cannot be certain that we would be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products and services to avoid infringement.

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/or 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. 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. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made. There can be no assurance that legal proceedings against us will be resolved in amounts that will not differ from the amounts of our recorded accruals. Legal fees and other costs of defending litigation are charged to expense as incurred.

For certain cases described below, management is unable to predict with any degree of certainty the outcome or 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 or specified; (iii) damages are unsupported, indeterminate and/or exaggerated in management's opinion; (iv) there is uncertainty as to the outcome of pending appeals or motions; (v) there are significant factual issues to be resolved; and/or (vi) there are novel legal issues or unsettled legal theories to be presented or a large number of parties are involved (as with many patent-related cases). For these cases, however, management does not believe, based on currently available information, that the outcomes of these proceedings will have a material adverse effect on our financial condition, operating results or cash flows, though there is no assurance that the resolution and outcomes of these proceedings, individually or in the aggregate, will not be material to our financial condition, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

We intend to vigorously defend the proceedings against us. In the event that a court ultimately rules against us, we may be subject to adverse consequences, including, without limitation, substantial damages, which may include treble damages, fines, penalties, compensatory damages and/or other equitable or injunctive relief that could require us to materially modify our business operations or certain products or services that we offer to our consumers. In addition, adverse decisions against DISH Network in the proceedings described below could decrease the number of products and components we sell to DISH Network, which could have a material adverse effect on our business operations and our financial condition, results of operation and cash flows.

California Institute of Technology

On October 1, 2013, the California Institute of Technology ("Caltech") filed suit against two of our subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC ("HNS"), 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 asserted 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 that we design and sell to DISH Network, as well as certain of our Hughes segment's satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard. On February 17, 2015, Caltech filed a second complaint in the same district against the same defendants alleging that HNS' Gen4 HT1000 and HT1100 products infringe the same patents asserted in the first case. On May 25, 2016, we, the DISH Network defendants and Caltech entered into a settlement agreement pursuant to which the Court dismissed with prejudice all of the claims in these actions on May 31, 2016.

Elbit

On January 23, 2015, Elbit Systems Land and C4I LTD and Elbit Systems of America Ltd. (together referred to as "Elbit") filed a complaint against our subsidiary HNS, as well as against Black Elk Energy Offshore Operations, LLC, Bluetide Communications, Inc. and Helm Hotels Group, in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 6,240,073 (the "073 patent") and 7,245,874 ("874 patent"). The 073 patent is entitled "Reverse Link for a Satellite Communication Network" and the 874 patent is entitled "Infrastructure for Telephony Network." Elbit alleges that the 073 patent is infringed by broadband satellite systems that practice the Internet Protocol Over Satellite standard. Elbit alleges that the 874 patent is infringed by the manufacture and sale of broadband satellite systems that provide cellular backhaul service via connections to E1 or T1 interfaces at cellular backhaul base stations. On April 2, 2015, Elbit filed an amended complaint removing Helm Hotels Group as a defendant, but making similar allegations against a new defendant, Country Home Investments, Inc. On November 3 and 4, 2015, and January 22, 2016, the defendants filed petitions before the United States Patent and Trademark Office challenging the validity of the patents in suit, which the Patent and Trademark Office subsequently declined to institute. On April 13, 2016, the defendants answered Elbit's complaint. Trial is scheduled to commence on July 31, 2017.

Realtime Data LLC

On May 8, 2015, Realtime Data LLC ("Realtime") filed suit against EchoStar Corporation and our subsidiary HNS in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 7,378,992, entitled "Content Independent Data Compression Method and System"; 7,415,530, entitled "System and Methods for Accelerated Data Storage and Retrieval"; and 8,643,513, entitled "Data Compression System and Methods." On September 14, 2015, Realtime amended its complaint, additionally alleging infringement of United States Patent No. 9,116,908, entitled "System and Methods for Accelerated Data Storage and Retrieval." Realtime generally alleges that the asserted patents are infringed by certain HNS data compression products and services. Over April 29, 2016 and May 5, 2016, the defendants filed petitions before the United States Patent and Trademark Office challenging the validity of the asserted patents. The United States Patent and Trademark Office has instituted proceedings on each of those petitions. Realtime is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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 HSS, EchoStar Corporation, EchoStar Technologies, L.L.C, and Sling Media, Inc., a subsidiary of EchoStar, 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, but has not specified the amount of damages that it seeks. TQ Beta is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

During August 2015, EchoStar Corporation and DISH Network L.L.C. filed petitions before the United States Patent and Trademark Office challenging the validity of certain claims of the 456 patent, and in February 2016, the United States Patent and Trademark Office agreed to institute proceedings on our petitions. On February 25, 2016, the case was stayed pending resolution of these proceedings before the United States Patent and Trademark Office, and the Court vacated all pending court dates and deadlines.

Two-Way Media Ltd.

On February 17, 2016, Two-Way Media Ltd. ("TWM") filed a complaint against EchoStar Corporation and its subsidiaries, EchoStar Technologies L.L.C., EchoStar Satellite Services L.L.C., and Sling Media, Inc., as well as against DISH Network Corporation, DISH DBS Corporation, DISH Network L.L.C., DISH Network Service L.L.C., Sling TV Holding L.L.C., Sling TV L.L.C., and Sling TV Purchasing L.L.C. TWM brought the suit in the United States District Court for the District of Colorado, alleging infringement of United States Patent Nos. 5,778,187; 5,983,005; 6,434,622; and 7,266,686, each entitled "Multicasting Method and Apparatus"; and 9,124,607, entitled "Methods and Systems for Playing Media." TWM alleges that the Sling TV, Sling International, DISH Anywhere, and DISHWorld services, as well as the Slingbox units and DISH DVRs incorporating Slingbox technology, infringe the asserted patents. TWM is an entity that seeks to license a patent portfolio without itself practicing any of the claims recited therein.

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. As part of our ongoing operations, the Company is subject to various inspections, audits, inquiries, investigations and similar actions by third parties, as well as by governmental/regulatory authorities responsible for enforcing the laws and regulations to which the Company may be subject. Further, under the federal False Claims Act, private parties have the right to bring qui tam, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the federal government. Some states have adopted similar state whistleblower and false claims provisions. In addition, the Company from time to time receives inquiries from federal, state and foreign agencies regarding compliance with various laws and regulations.

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 cash flows, though the resolutions and outcomes, individually or in the aggregate, could be material to our financial position, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

The Company indemnifies its directors, officers and employees for certain liabilities that might arise from the performance of their responsibilities for the Company. Additionally, in the normal course of its business, the Company enters into contracts pursuant to which the Company may make a variety of representations and warranties and indemnify the counterparty for certain losses. The Company's possible exposure under these arrangements cannot be reasonably estimated as this involves the resolution of claims made, or future claims that may be made, against the Company or its officers, directors or employees, the outcomes of which are unknown and not currently predictable or estimable.

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 the Company's Chief Executive Officer. Under this definition, we operate in two primary business segments, Hughes and EchoStar Satellite Services as described in Note 1 of these condensed consolidated financial statements.

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

Transactions between segments were not significant for the three and nine months ended September 30, 2016 or 2015.

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

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
		(In thousands)		
For the Three Months Ended September 30, 2016				
External revenue	$ 355,090	$ 101,308	$ 868	$ 457,266
Intersegment revenue	$ 786	$ 172	$ (958)	$ —
Total revenue	$ 355,876	$ 101,480	$ (90)	$ 457,266
Capital expenditures	$ 75,682	$ 15,730	$ —	$ 91,412
EBITDA	$ 112,018	$ 83,700	$ 2,567	$ 198,285
For the Three Months Ended September 30, 2015				
External revenue	$ 339,060	$ 124,126	$ 845	$ 464,031
Intersegment revenue	$ 669	$ 174	$ (843)	$ —
Total revenue	$ 339,729	$ 124,300	$ 2	$ 464,031
Capital expenditures	$ 72,626	$ 32,416	$ —	$ 105,042
EBITDA	$ 101,582	$ 104,200	$ 2,338	$ 208,120
For the Nine Months Ended September 30, 2016				
External revenue	$ 1,019,203	$ 305,401	$ 2,506	$ 1,327,110
Intersegment revenue	$ 2,248	$ 518	$ (2,766)	$ —
Total revenue	$ 1,021,451	$ 305,919	$ (260)	$ 1,327,110
Capital expenditures	$ 261,241	$ 50,762	$ —	$ 312,003
EBITDA	$ 317,865	$ 255,712	$ 12,519	$ 586,096
For the Nine Months Ended September 30, 2015				
External revenue	$ 998,564	$ 373,726	$ 1,451	$ 1,373,741
Intersegment revenue	$ 1,630	$ 561	$ (2,191)	$ —
Total revenue	$ 1,000,194	$ 374,287	$ (740)	$ 1,373,741
Capital expenditures	$ 207,680	$ 84,667	$ —	$ 292,347
EBITDA	$ 296,269	$ 314,177	$ (7,886)	$ 602,560

The following table reconciles total consolidated EBITDA to reported "Income before income taxes" in our condensed consolidated statements of operations and comprehensive income (loss):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
		(In thousands)		
EBITDA	$ 198,285	$ 208,120	$ 586,096	$ 602,560
Interest income and expense, net	(49,530)	(39,772)	(120,199)	(126,168)
Depreciation and amortization	(104,774)	(109,158)	(309,448)	(324,797)
Net income attributable to noncontrolling interests	524	209	946	1,006
Income before income taxes	$ 44,505	$ 59,399	$ 157,395	$ 152,601

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. 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 $5.2 million and $4.5 million for the three months ended September 30, 2016 and 2015, respectively, and $10.8 million and $12.7 million for the nine months ended September 30, 2016 and 2015, respectively. In addition, we occupy certain office space in buildings owned or leased 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.

We participate in certain of EchoStar's shared services arrangements for its subsidiaries in the ordinary course of business, including arrangements for payroll, accounts payable and cash management. From time to time in connection with the processing of transactions under these arrangements, we may pay or receive amounts attributable to other domestic subsidiaries of EchoStar. We report net payments on behalf of other subsidiaries in "Advances to affiliates, net" within current assets and we report net receipts on behalf of other subsidiaries in "Advances from affiliates, net" within current liabilities in our condensed consolidated balance sheets. No repayment schedule for these net advances has been determined.

EchoStar and certain of its subsidiaries have provided cash advances to certain of our foreign subsidiaries to fund certain expenditures pursuant to loan agreements that mature in 2018 and 2022. Advances under these agreements bear interest at annual rates ranging from one to three percent, subject to periodic adjustment based on the one-year U.S. LIBOR rate. We report amounts payable under these agreements in "Advances from affiliates" within noncurrent liabilities in our condensed consolidated balance sheets.

EchoStar XXI and EchoStar XXIII Launch Facilitation and Operational Control Agreement. As part of applying for our launch licenses for EchoStar XXI and XXIII through the UK Space Agency, our subsidiary, Hughes Network Systems, Ltd. ("HNS Ltd.") and a subsidiary of EchoStar, EchoStar Operating L.L.C. ("EOC"), entered into agreements in June 2015 and March 2016 to transfer to HNS Ltd., EOC's launch service contracts for the EchoStar XXI and EchoStar XXIII satellites, respectively, and to grant HNS Ltd. certain rights to control the in-orbit operations of these satellites. EOC retained ownership of the satellites. In March 2016, we recorded a $70.3 million addition to "Other noncurrent assets, net" and a corresponding increase in "Additional paid-in capital" in our condensed consolidated balance sheet to reflect EOC's cumulative payments under the EchoStar XXIII launch service contract prior to the transfer date. EOC also contracted to make future payments to HNS Ltd. for amounts that HNS Ltd. is required to pay under both launch service contracts. In March 2016, HNS Ltd. received $11.9 million in cash from EOC to fund a required payment under the EchoStar XXI launch service contract. We recorded the cash receipt as an increase in "Additional paid-in capital." HNS Ltd.'s future payments under the launch service contracts are included in our disclosure of satellite-related obligations in Note 12.

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 3 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. The tracking stock is an equity security and the rights of DISH Network, as the holder of the tracking stock, in our assets are subject to the claims of our creditors. 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. We and/or 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 or in our most recent Annual Report on Form 10-K), which varies depending on the nature of the products and services provided.

The following is a summary of the terms of our principal agreements with DISH Network that may have an impact on our financial condition 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 service agreements pursuant to which DISH Network receives satellite services on certain satellites owned or leased by us. The fees for the services provided under these satellite service agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are providing services on the applicable satellite, and the length of the service arrangements. The terms of each service arrangement is set forth below:

EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV. As part of the Satellite and Tracking Stock Transaction discussed in Note 3, in March 2014, we began providing certain satellite services to DISH Network on the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. The term of each satellite services agreement generally terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each satellite service agreement on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised. DISH Network elected not to renew the satellite services agreement relative to the EchoStar I satellite. The agreement for the EchoStar I satellite expired pursuant to its terms effective November 2015. In December 2015, DISH Network renewed the satellite services agreement relative to the EchoStar VII satellite for one year to June 2017.

EchoStar VIII. In May 2013, DISH Network began receiving satellite services from us on the EchoStar VIII satellite as an in-orbit spare. Effective March 2014, this satellite services arrangement converted to a month-to-month service agreement with both parties having the right to terminate upon 30 days' notice. The agreement terminated in accordance with its terms effective November 2015.

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

EchoStar XII. DISH Network receives satellite services from us on the EchoStar XII satellite. 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) September 2017. 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. In December 2009, we entered into an initial ten-year transponder service agreement with DISH Network, pursuant to which DISH Network has received satellite services from us on the EchoStar XVI satellite since January 2013. Effective December 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. In July 2016, we and DISH Network further amended the transponder service agreement to, among other things, extend the initial term by one additional year and to reduce the term of the first renewal option by one year. Prior to expiration of the initial term, we, upon certain conditions, and DISH Network have the option to renew for an additional five-year period. If either we or DISH Network exercise our respective five-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. In the event that we or DISH Network does not exercise the first five-year renewal option or DISH Network does not exercise the second five-year renewal option, DISH Network has the option to purchase the EchoStar XVI satellite for a certain price. If DISH Network does not elect to purchase the EchoStar XVI satellite at that time, we may sell the EchoStar XVI satellite to a third party and DISH Network is required to pay us a certain amount in the event we are not able to sell the EchoStar XVI satellite for more than a certain amount.

Nimiq 5 Agreement. In September 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"). In September 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 the Nimiq 5 satellite 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. In November 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 the QuetzSat-1 satellite. The QuetzSat-1 satellite was launched in September 2011 and was placed into service in November 2011 at the 67.1 degree west longitude orbital location. In February 2013, EchoStar and DISH Network entered into an agreement pursuant to which we receive certain satellite services from DISH Network on five DBS transponders on the QuetzSat-1 satellite. In January 2013, the QuetzSat-1 satellite 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. In 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"). In June 2013, we and DISH Network entered into a spectrum development agreement (the "DISH 103 Spectrum Development Agreement") pursuant to which DISH Network may use and develop the 103 Spectrum Rights. Unless earlier terminated under the terms and conditions of the DISH 103 Spectrum Development Agreement, the term generally will continue for the duration of the 103 Spectrum Rights.

In connection with the 103 Spectrum Development Agreement, in 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. In 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) June 2023. 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.

Satellite and Tracking Stock Transaction. In February 2014, we entered into agreements with DISH Network to implement a transaction pursuant to which, among other things: (i) in March 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 assumption of related in-orbit incentive obligations) and approximately $11.4 million in cash; and (ii) in March 2014, DISH Network began receiving certain satellite services on these five satellites from us. See Note 3 herein and in our most recent Form 10-K for further information.

TT&C Agreement. Effective January 2012, we entered into a telemetry, tracking and control ("TT&C") agreement pursuant to which we provide TT&C services to DISH Network for a period ending in December 2016 (the "2012 TT&C Agreement"). In November 2016, we and DISH Network amended the 2012 TT&C Agreement to extend the term for one year through December 2017. 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, in February 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 2014, we provide TT&C services for the D-1 and EchoStar XV satellites; however, for the period that we received satellite services on the EchoStar XV satellite from DISH Network, we waived the fees for the TT&C services on the EchoStar XV satellite. Effective August 2016, we provide TT&C services to DISH Network for the EchoStar XVIII satellite.

TerreStar Agreement. In March 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar Networks Inc. ("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, warranty, operations and maintenance and hosting services for TerreStar's ground-based communications equipment. TerreStar generally has the right to continue to receive warranty services from us for one of our products on a month-to-month basis. The provision of warranty services for our other product will automatically renew in March 2017 for an additional one-year period until March 2018, unless terminated by TerreStar upon at least 60 days' written notice to us prior to the end of the term. The provision of operations and maintenance services will automatically renew in April 2017 for an additional one-year period until April 2018, unless terminated by TerreStar or us upon at least 90 days' written notice prior to the end of the term. The provision of hosting services will automatically renew in May 2017 for an additional five-year period until May 2022, unless terminated by TerreStar upon at least 180 days' written notice to us prior to the end of the term. In addition, TerreStar generally may terminate such services for convenience subject to providing us with prior notice and/or payment of termination charges.

Hughes Broadband Distribution Agreement. Effective October 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 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 had an initial term of five years with automatic renewal for successive one year terms unless terminated by either party with a written notice at least 180 days before the expiration of the then-current term. In February 2014, HNS and dishNET entered into an amendment to the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement until March 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. In March 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 various agreements pursuant to which our Hughes segment provides, among other things, warranty, operations and maintenance and hosting services of DBSD North America's gateway and ground-based communications equipment. The provision of warranty services will terminate in February 2017. The provision of operations and maintenance services will automatically renew in April 2017 for an additional one-year period until April 2018, unless terminated by DBSD North America upon at least 120 days' written notice to us prior to the end of the term. The provision of hosting services will automatically renew in February 2017 for an additional five-year period until February 2022. In addition, DBSD North America generally may terminate such services for convenience, subject to providing us with prior notice and/or payment of termination charges.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. ("DISH Broadband"), DISH Network's indirect, 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 provided certain portions of the equipment and broadband service used to implement DISH Broadband's RUS program. While the RUS Agreement expired in June 2013 when the Grant Funds were exhausted, HNS is required to continue providing services to DISH Broadband's customers activated prior to the expiration of the RUS Agreement in accordance with the terms and conditions of the RUS Agreement.

General and administrative expenses — DISH Network

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 in January 2010 and were replaced by a Professional Services Agreement. In January 2010, 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 would continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement), receive logistics, procurement and quality assurance services from 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 will automatically renew in January 2017 for an additional one-year period until January 2018 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.

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, in September 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.

Caltech. On October 1, 2013, Caltech filed complaints against two of our subsidiaries, Hughes Communications, Inc. and HNS, 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 asserted that encoding data as specified by the DVB-S2 standard infringes each of the asserted patents. Caltech claimed that the Hopper™ set-top box that we design and sell to DISH Network, as well as certain of our Hughes segment's satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard. Pursuant to a settlement agreement among us, DISH Network and Caltech, in May 2016, Caltech dismissed with prejudice all of its claims in these actions. See Note 12 of these condensed consolidated financial statements for further information.

Other Agreements

Hughes Systique Corporation ("Hughes Systique")

We contract with Hughes Systique for software development services. In 2008, Hughes Communications loaned $1.5 million to Hughes Systique pursuant to a term loan facility. The initial interest rate on the loans was 6%, payable annually, and the accrued and unpaid interest was added to the principal amount in certain circumstances. The loans were convertible into shares of Hughes Systique upon non-payment or an event of default. In May 2014, we amended the term loan facility to increase the interest rate from 6% to 8%, payable annually, to reflect then-current market conditions and extend the maturity date of the loans to May 1, 2015, and in April 2015, we extended the maturity date of the loans to May 1, 2016 on the same terms. In 2015, Hughes Systique repaid $1.5 million of the outstanding principal of the loan facility. In February 2016, Hughes Systique repaid $0.3 million of the outstanding principal of the loan facility. In April 2016, Hughes Systique repaid in full the remaining $0.3 million outstanding principal and interest of the loan facility. As of September 30, 2016, the principal amount outstanding of the loan facility was zero. In addition to our 43.9% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications and a member of EchoStar's board of directors, and his brother, who is the CEO and President of Hughes Systique, in the aggregate, own approximately 25.8%, on an undiluted basis, of Hughes Systique's outstanding shares as of September 30, 2016. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. Hughes Systique is a variable interest entity and we are considered the primary beneficiary of Hughes Systique due to, among other factors, our ability to direct the activities that most significantly impact the economic performance of Hughes Systique. As a result, we consolidate Hughes Systique's financial statements in our condensed consolidated financial statements.

Dish Mexico

EchoStar owns 49.0% of an entity that provides direct-to-home satellite services in Mexico known as Dish Mexico, and we provide certain satellite services to Dish Mexico. We recognized satellite services revenue from Dish Mexico of approximately $5.8 million for each of the three months ended September 30, 2016 and 2015 and $17.5 million for each of the nine months ended September 30, 2016 and 2015. As of September 30, 2016 and December 31, 2015, we had trade accounts receivable from Dish Mexico of approximately $10.6 million.

Deluxe/EchoStar LLC

We own 50.0% 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 approximately $0.7 million for each of the three months ended September 30, 2016 and 2015 and $2.1 million for each of the nine months ended September 30, 2016 and 2015. As of September 30, 2016 and December 31, 2015, we had trade accounts receivable from Deluxe of approximately $0.6 million and $0.1 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 2019 Senior Secured Notes and 2021 Senior Unsecured Notes, which were issued on June 1, 2011, and our 2026 Notes, which were issued on July 27, 2016. See Note 10 for further information on the 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes and the 2026 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 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes and the 2026 Notes contain restrictive covenants that, among other things, impose limitations on our ability and the ability of certain of our 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, enter into transactions with affiliates or allow to exist certain restrictions on the ability of certain of our subsidiaries to pay dividends, make distributions, make other payments, or transfer assets to us.

The condensed consolidating financial information presented below should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein.

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

Condensed Consolidating Balance Sheet as of September 30, 2016
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 1,779,675	$ 44,612	$ 23,300	$ —	$ 1,847,587
Marketable investment securities, at fair value	367,512	9,513	—	—	377,025
Trade accounts receivable, net	—	126,793	34,875	—	161,668
Trade accounts receivable - DISH Network, net	—	24,526	—	—	24,526
Inventory	—	49,018	14,593	—	63,611
Advances to affiliates, net	10	918,193	8,043	(829,272)	96,974
Other current assets	80	22,979	25,566	—	48,625
Total current assets	2,147,277	1,195,634	106,377	(829,272)	2,620,016
Restricted cash and cash equivalents	11,782	—	744	—	12,526
Property and equipment, net	—	2,128,307	187,042	—	2,315,349
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	89,406	—	—	89,406
Investments in unconsolidated entities	—	39,874	—	—	39,874
Investment in subsidiaries	3,657,766	304,897	—	(3,962,663)	—
Advances to affiliates	700	14,270	—	(14,970)	—
Other noncurrent assets, net	116,298	140,602	161,302	(116,298)	301,904
Total assets	$ 5,933,823	$ 4,888,821	$ 455,465	$ (4,923,203)	$ 6,354,906
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ —	$ 91,040	$ 24,500	$ —	$ 115,540
Trade accounts payable - DISH Network	—	6	—	—	6
Current portion of long-term debt and capital lease obligations	—	31,307	587	—	31,894
Advances from affiliates, net	796,584	7,018	30,131	(829,272)	4,461
Accrued expenses and other	55,531	118,892	36,406	—	210,829
Total current liabilities	852,115	248,263	91,624	(829,272)	362,730
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	3,356,384	271,260	1,280	—	3,628,924
Deferred tax liabilities, net	—	626,371		(116,298)	510,073
Advances from affiliates	—	—	46,059	(14,970)	31,089
Other non-current liabilities	—	81,847	2,849	—	84,696
Total HSS shareholders' equity (deficit)	1,725,324	3,661,080	301,583	(3,962,663)	1,725,324
Noncontrolling interests	—	—	12,070	—	12,070
Total liabilities and shareholders' equity (deficit)	$ 5,933,823	$ 4,888,821	$ 455,465	$ (4,923,203)	$ 6,354,906

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

Condensed Consolidating Balance Sheet as of December 31, 2015
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 300,634	$ 55,767	$ 26,589	$ —	$ 382,990
Marketable investment securities, at fair value	238,249	15,094	—	—	253,343
Trade accounts receivable, net	—	101,923	37,587	—	139,510
Trade accounts receivable - DISH Network, net	—	21,258	—	—	21,258
Advances to affiliates, net	10	807,341	6,244	(766,208)	47,387
Inventory	—	39,948	8,849	—	48,797
Other current assets	40	24,565	26,890	—	51,495
Total current assets	538,933	1,065,896	106,159	(766,208)	944,780
Restricted cash and cash equivalents	11,985	7,500	655	—	20,140
Property and equipment, net	—	2,181,495	83,907	—	2,265,402
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	115,420	—	—	115,420
Investments in unconsolidated entities	—	41,481	—	—	41,481
Investment in subsidiaries	3,350,914	166,739	—	(3,517,653)	—
Advances to affiliates	700	678	—	(1,378)	—
Other noncurrent assets, net	254,486	135,970	72,255	(254,486)	208,225
Total assets	$ 4,157,018	$ 4,691,010	$ 262,976	$ (4,539,725)	$ 4,571,279
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ —	$ 86,477	$ 11,171	$ —	$ 97,648
Trade accounts payable - DISH Network	—	19	—	—	19
Current portion of long-term debt and capital lease obligations	—	28,829	1,455	—	30,284
Advances from affiliates, net	739,810	5,307	24,863	(766,207)	3,773
Accrued expenses and other	28,154	130,532	22,550	—	181,236
Total current liabilities	767,964	251,164	60,039	(766,207)	312,960
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	1,858,724	295,060	1,204	—	2,154,988
Deferred tax liabilities, net	—	706,837	—	(254,487)	452,350
Advances from affiliates	—	—	26,661	(1,378)	25,283
Other non-current liabilities	—	84,006	52	—	84,058
Total HSS shareholders' equity (deficit)	1,530,330	3,353,943	163,710	(3,517,653)	1,530,330
Noncontrolling interests	—	—	11,310	—	11,310
Total liabilities and shareholders' equity (deficit)	$ 4,157,018	$ 4,691,010	$ 262,976	$ (4,539,725)	$ 4,571,279

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended September 30, 2016
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue - DISH Network	$ —	$ 111,750	$ —	$ —	$ 111,750
Services and other revenue - other	—	249,571	32,945	(5,639)	276,877
Equipment revenue - DISH Network	—	2,138	—	—	2,138
Equipment revenue - other	—	83,843	5,471	(22,813)	66,501
Total revenue	—	447,302	38,416	(28,452)	457,266
Costs and Expenses:					
Costs of sales - services and other (exclusive of depreciation and amortization)	—	111,241	24,832	(5,486)	130,587
Cost of sales - equipment (exclusive of depreciation and amortization)	—	71,728	4,039	(22,166)	53,601
Selling, general and administrative expenses	—	59,574	9,100	(800)	67,874
Research and development expenses	—	9,030	—	—	9,030
Depreciation and amortization	—	100,375	4,399	—	104,774
Total costs and expenses	—	351,948	42,370	(28,452)	365,866
Operating income	—	95,354	(3,954)	—	91,400
Other Income (Expense):					
Interest income	3,502	9	495	—	4,006
Interest expense, net of amounts capitalized	(50,766)	(3,491)	721	—	(53,536)
Gains (losses) on marketable investment securities, net	5	—	—	—	5
Equity in earnings of unconsolidated affiliate	—	2,654	—	—	2,654
Equity in earnings (losses) of subsidiaries, net	57,324	(1,801)	—	(55,523)	—
Other, net	(1)	(40)	17	—	(24)
Total other income (expense), net	10,064	(2,669)	1,233	(55,523)	(46,895)
Income (loss) before income taxes	10,064	92,685	(2,721)	(55,523)	44,505
Income tax benefit (provision)	17,501	(35,257)	1,340	—	(16,416)
Net income (loss)	27,565	57,428	(1,381)	(55,523)	28,089
Less: Net income attributable to noncontrolling interests	—	—	524	—	524
Net income (loss) attributable to HSS	$ 27,565	$ 57,428	$ (1,905)	$ (55,523)	$ 27,565
Comprehensive Income (Loss):					
Net income (loss)	$ 27,565	$ 57,428	$ (1,381)	$ (55,523)	$ 28,089
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	1,255	—	1,255
Unrealized gains (losses) on available-for-sale securities and other	(38)	804	(16)	—	750
Recognition of realized gains on available-for-sale securities included in net income	(4)	—	—	—	(4)
Equity in other comprehensive income (loss) of subsidiaries, net	2,043	1,239	—	(3,282)	—
Total other comprehensive income (loss), net of tax	2,001	2,043	1,239	(3,282)	2,001
Comprehensive income (loss)	29,566	59,471	(142)	(58,805)	30,090
Less: Comprehensive income attributable to noncontrolling interests	—	—	524	—	524
Comprehensive income (loss) attributable to HSS	$ 29,566	$ 59,471	$ (666)	$ (58,805)	$ 29,566

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended September 30, 2015
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue - DISH Network	$ —	$ 132,012	$ 1	$ —	$ 132,013
Services and other revenue	—	254,696	34,287	(12,676)	276,307
Equipment revenue - DISH Network	—	3,106	—	—	3,106
Equipment revenue	—	48,708	8,490	(4,593)	52,605
Total revenue	—	438,522	42,778	(17,269)	464,031
Costs and Expenses:					
Costs of sales - services and other (exclusive of depreciation and amortization)	—	119,635	24,737	(12,511)	131,861
Cost of sales - equipment (exclusive of depreciation and amortization)	—	46,419	6,150	(4,026)	48,543
Selling, general and administrative expenses	—	60,660	8,375	(732)	68,303
Research and development expenses	—	6,809	—	—	6,809
Depreciation and amortization	—	107,720	1,438	—	109,158
Total costs and expenses	—	341,243	40,700	(17,269)	364,674
Operating income	—	97,279	2,078	—	99,357
Other Income (Expense):					
Interest income	785	29	340	(19)	1,135
Interest expense, net of amounts capitalized	(34,726)	(6,747)	547	19	(40,907)
Other-than-temporary impairment loss on available-for-sale securities	(1,201)	—	—	—	(1,201)
Gains (losses) on marketable investment securities, net	—	(3,921)	—	—	(3,921)
Equity in earnings of unconsolidated affiliate	—	2,305	—	—	2,305
Equity in earnings (losses) of subsidiaries, net	60,213	322	—	(60,535)	—
Other, net	1,295	3,838	(2,502)	—	2,631
Total other income (expense), net	26,366	(4,174)	(1,615)	(60,535)	(39,958)
Income (loss) before income taxes	26,366	93,105	463	(60,535)	59,399
Income tax benefit (provision)	10,657	(32,798)	(26)	—	(22,167)
Net income (loss)	37,023	60,307	437	(60,535)	37,232
Less: Net income (loss) attributable to noncontrolling interests	—	—	209	—	209
Net income (loss) attributable to HSS	$ 37,023	$ 60,307	$ 228	$ (60,535)	$ 37,023
Comprehensive Income (Loss):					
Net income (loss)	$ 37,023	$ 60,307	$ 437	$ (60,535)	$ 37,232
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(17,688)	—	(17,688)
Unrealized gains (losses) on available-for-sale securities and other	(5,510)	(1,025)	28	—	(6,507)
Recognition of other-than-temporary loss on available-for-sale securities in net income	1,201	—	—	—	1,201
Equity in other comprehensive income (loss) of subsidiaries, net	(18,365)	(17,340)	—	35,705	—
Total other comprehensive income (loss), net of tax	(22,674)	(18,365)	(17,660)	35,705	(22,994)
Comprehensive income (loss)	14,349	41,942	(17,223)	(24,830)	14,238
Less: Comprehensive income attributable to noncontrolling interests	—	—	(111)	—	(111)
Comprehensive income (loss) attributable to HSS	$ 14,349	$ 41,942	$ (17,112)	$ (24,830)	$ 14,349

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2016
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue - DISH Network	$ —	$ 337,353	$ —	$ —	$ 337,353
Services and other revenue - other	—	743,654	94,962	(16,753)	821,863
Equipment revenue - DISH Network	—	7,008	—	—	7,008
Equipment revenue - other	—	178,376	12,296	(29,786)	160,886
Total revenue	—	1,266,391	107,258	(46,539)	1,327,110
Costs and Expenses:					
Costs of sales - services and other (exclusive of depreciation and amortization)	—	328,113	70,064	(16,213)	381,964
Cost of sales - equipment (exclusive of depreciation and amortization)	—	162,644	9,649	(28,264)	144,029
Selling, general and administrative expenses	—	182,110	27,926	(2,062)	207,974
Research and development expenses	—	23,524	—	—	23,524
Depreciation and amortization	—	301,896	7,552	—	309,448
Total costs and expenses	—	998,287	115,191	(46,539)	1,066,939
Operating income	—	268,104	(7,933)	—	260,171
Other Income (Expense):					
Interest income	6,135	88	1,214	(10)	7,427
Interest expense, net of amounts capitalized	(120,357)	(11,589)	4,310	10	(127,626)
Gains (losses) on marketable investment securities, net	2,989	2,311	—	—	5,300
Equity in earnings of unconsolidated affiliate	—	6,758	—	—	6,758
Equity in earnings (losses) of subsidiaries, net	164,592	(1,627)	—	(162,965)	—
Other, net	6,750	(2,317)	932	—	5,365
Total other income (expense), net	60,109	(6,376)	6,456	(162,965)	(102,776)
Income (loss) before income taxes	60,109	261,728	(1,477)	(162,965)	157,395
Income tax benefit (provision)	39,063	(96,854)	514	—	(57,277)
Net income (loss)	99,172	164,874	(963)	(162,965)	100,118
Less: Net income attributable to noncontrolling interests	—	—	946	—	946
Net income (loss) attributable to HSS	$ 99,172	$ 164,874	$ (1,909)	$ (162,965)	$ 99,172
Comprehensive Income (Loss):					
Net income (loss)	$ 99,172	$ 164,874	$ (963)	$ (162,965)	$ 100,118
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	10,607	—	10,607
Unrealized gains (losses) on available-for-sale securities and other	3,322	(751)	(28)	—	2,543
Recognition of realized gains on available-for-sale securities in net income	(2,989)	—	—	—	(2,989)
Equity in other comprehensive income (loss) of subsidiaries, net	10,014	10,765	—	(20,779)	—
Total other comprehensive income (loss), net of tax	10,347	10,014	10,579	(20,779)	10,161
Comprehensive income (loss)	109,519	174,888	9,616	(183,744)	110,279
Less: Comprehensive income attributable to noncontrolling interests	—	—	760	—	760
Comprehensive income (loss) attributable to HSS	$ 109,519	$ 174,888	$ 8,856	$ (183,744)	$ 109,519

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

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Nine Months Ended September 30, 2015
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue - DISH Network	$ —	$ 394,818	$ 119	$ —	$ 394,937
Services and other revenue	—	749,436	106,251	(38,380)	817,307
Equipment revenue - DISH Network	—	6,992	—	—	6,992
Equipment revenue	—	147,850	21,954	(15,299)	154,505
Total revenue	—	1,299,096	128,324	(53,679)	1,373,741
Costs and Expenses:					
Costs of sales - services and other (exclusive of depreciation and amortization)	—	357,429	74,629	(37,731)	394,327
Cost of sales - equipment (exclusive of depreciation and amortization)	—	140,306	16,210	(13,979)	142,537
Selling, general and administrative expenses	—	180,640	25,200	(1,969)	203,871
Research and development expenses	—	18,876	—	—	18,876
Depreciation and amortization	—	320,194	4,603	—	324,797
Total costs and expenses	—	1,017,445	120,642	(53,679)	1,084,408
Operating income	—	281,651	7,682	—	289,333
Other Income (Expense):					
Interest income	2,486	148	850	(93)	3,391
Interest expense, net of amounts capitalized	(107,462)	(23,643)	1,453	93	(129,559)
Loss from partial redemption of debt	(5,044)	—	—	—	(5,044)
Other-than-temporary impairment loss on available-for-sale securities	(5,850)	—	—	—	(5,850)
Gains (losses) on marketable investment securities, net	10	(5,544)	—	—	(5,534)
Equity in earnings of unconsolidated affiliate	—	4,943	—	—	4,943
Equity in earnings (losses) of subsidiaries, net	172,082	3,369	—	(175,451)	—
Other, net	(5,453)	10,123	(3,749)	—	921
Total other income (expense), net	50,769	(10,604)	(1,446)	(175,451)	(136,732)
Income (loss) before income taxes	50,769	271,047	6,236	(175,451)	152,601
Income tax benefit (provision)	42,306	(98,688)	(2,138)	—	(58,520)
Net income (loss)	93,075	172,359	4,098	(175,451)	94,081
Less: Net income attributable to noncontrolling interests	—	—	1,006	—	1,006
Net income (loss) attributable to HSS	$ 93,075	$ 172,359	$ 3,092	$ (175,451)	$ 93,075
Comprehensive Income (Loss):					
Net income (loss)	$ 93,075	$ 172,359	$ 4,098	$ (175,451)	$ 94,081
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(26,935)	—	(26,935)
Unrealized gains (losses) on available-for-sale securities and other	(2,208)	(1,025)	39	—	(3,194)
Recognition of other-than-temporary loss on available-for-sale securities in net income	5,850	—	—	—	5,850
Recognition of realized gains on available-for-sale securities in net income	(11)	—	—	—	(11)
Equity in other comprehensive income (loss) of subsidiaries, net	(27,601)	(26,576)	—	54,177	—
Total other comprehensive income (loss), net of tax	(23,970)	(27,601)	(26,896)	54,177	(24,290)
Comprehensive income (loss)	69,105	144,758	(22,798)	(121,274)	69,791
Less: Comprehensive income attributable to noncontrolling interests	—	—	686	—	686
Comprehensive income (loss) attributable to HSS	$ 69,105	$ 144,758	$ (23,484)	$ (121,274)	$ 69,105

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2016
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 99,172	$ 164,874	$ (963)	$ (162,965)	$ 100,118
Adjustments to reconcile net income (loss) to net cash flows from operating activities	63,754	96,870	23,109	162,965	346,698
Net cash flows from operating activities	162,926	261,744	22,146	—	446,816
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(396,730)	—	—	—	(396,730)
Sales and maturities of marketable investment securities	265,680	—	—	—	265,680
Purchases of property and equipment	—	(235,462)	(76,541)	—	(312,003)
Changes in restricted cash and cash equivalents	203	7,500	(89)	—	7,614
Investment in unconsolidated entity	—	(1,636)	—	—	(1,636)
Investment in subsidiary	(58,647)	(58,672)	—	117,319	—
Payment for EchoStar XXI launch services	—		(11,875)	—	(11,875)
Expenditures for externally marketed software	—	(17,991)	—	—	(17,991)
Other, net	—	340	—	(340)	—
Net cash flows from investing activities	(189,494)	(305,921)	(88,505)	116,979	(466,941)
Cash Flows from Financing Activities:					
Proceeds from issuance of long-term debt	1,500,000	—	—	—	1,500,000
Payments of debt issuance costs	(6,275)	—	—	—	(6,275)
Proceeds from capital contribution from parent	—	58,647	58,672	(117,319)	—
Capital contribution from EchoStar	11,875	—	—	—	11,875
Repayment of debt and capital lease obligations	—	(21,321)	(2,731)	—	(24,052)
Advances from affiliates	—		5,481	—	5,481
Other, net	9	(4,304)	988	340	(2,967)
Net cash flows from financing activities	1,505,609	33,022	62,410	(116,979)	1,484,062
Effect of exchange rates on cash and cash equivalents	—	—	660	—	660
Net increase (decrease) in cash and cash equivalents	1,479,041	(11,155)	(3,289)	—	1,464,597
Cash and cash equivalents, at beginning of period	300,634	55,767	26,589	—	382,990
Cash and cash equivalents, at end of period	$ 1,779,675	$ 44,612	$ 23,300	$ —	$ 1,847,587

Condensed Consolidating Statement of Cash Flows
For the Nine Months Ended September 30, 2015
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 93,075	$ 172,359	$ 4,098	$ (175,451)	$ 94,081
Adjustments to reconcile net income (loss) to net cash flows from operating activities	58,942	112,751	5,583	175,451	352,727
Net cash flows from operating activities	152,017	285,110	9,681	—	446,808
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(132,741)	—	—	—	(132,741)
Sales and maturities of marketable investment securities	197,899	—	—	—	197,899
Purchases of property and equipment	—	(250,365)	(41,982)	—	(292,347)
Expenditures for externally marketed software	—	(16,905)	—	—	(16,905)
Changes in restricted cash and cash equivalents	(252)	—	(61)	—	(313)
Investment in subsidiary	(29,000)	(29,000)	—	58,000	—
Other, net	—	1,291	—	(1,300)	(9)
Net cash flows from investing activities	35,906	(294,979)	(42,043)	56,700	(244,416)
Cash Flows from Financing Activities:					
Proceeds from capital contributions from parent	—	29,000	29,000	(58,000)	—
Repayment of 2019 Senior Secured Notes Due and related premium	(113,300)	—	—	—	(113,300)
Repayment of long-term debt and capital lease obligations	—	(26,755)	(4,823)	—	(31,578)
Advances from affiliates	—	—	3,699	—	3,699
Other, net	40	(5,800)	2,772	1,300	(1,688)
Net cash flows from financing activities	(113,260)	(3,555)	30,648	(56,700)	(142,867)
Effect of exchange rates on cash and cash equivalents	—	—	(6,980)	—	(6,980)
Net increase (decrease) in cash and cash equivalents	74,663	(13,424)	(8,694)	—	52,545
Cash and cash equivalents, at beginning of period	142,762	51,592	31,203	—	225,557
Cash and cash equivalents, at end of period	$ 217,425	$ 38,168	$ 22,509	$ —	$ 278,102

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

Unless the context indicates otherwise, as used herein, the terms "we," "us," "HSS," the "Company" and "our" refer to Hughes Satellite Systems Corporation and its subsidiaries. References to "$" are to United States dollars. 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 Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. 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 subsidiary of EchoStar Corporation ("EchoStar"). We were formed as a Colorado corporation in March 2011. We are a global provider of satellite service operations, video delivery solutions, broadband satellite technologies and broadband services for home and office customers. We deliver innovative network technologies, managed services, and various communications solutions for enterprise and government customers. We currently operate in two business segments, which are differentiated primarily by their operational focus: Hughes and EchoStar Satellite Services ("ESS"). These segments 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 ("CODM"), who for HSS, is the Company's Chief Executive Officer.

Highlights from our financial results are as follows:

Consolidated Results of Operations for the Nine Months Ended September 30, 2016

- Revenue of $1.33 billion
- Operating income of $260.2 million
- Net income of $100.1 million
- Net income attributable to HSS of $99.2 million
- EBITDA of $586.1 million see reconciliation of this non-GAAP measure on page 42)

Consolidated Financial Condition as of September 30, 2016

- Total assets of $6.35 billion
- Total liabilities of $4.61 billion
- Total shareholders' equity of $1.74 billion
- Cash, cash equivalents and current marketable investment securities of $2.22 billion

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and broadband services for home and office customers. We deliver network technologies, managed services and communications solutions for domestic and international consumer, enterprise and government customers.

We continue to focus our efforts on growing our Hughes segment consumer revenue by maximizing utilization of our existing satellites while planning for new satellites to be launched. Our consumer revenue growth depends on our success in adding new subscribers and driving higher average revenue per subscriber across our wholesale and retail channels.

We have been preparing for the launch of the EchoStar XIX satellite, a next-generation, high throughput geostationary satellite, which will provide significant capacity for continued subscriber growth. In March 2013, a subsidiary of EchoStar entered into a contract for the design and construction of the EchoStar XIX satellite, which is expected to be launched in the fourth quarter of 2016. The EchoStar XIX satellite will employ a multi-spot beam, bent pipe Ka-band architecture and will provide additional capacity for the Hughes broadband services in North America and certain Latin American countries. Capital expenditures associated with the construction and launch of the EchoStar XIX satellite have been incurred by our parent company, EchoStar, which intends to contribute the satellite to us after the launch of the satellite.

In addition to our broadband consumer service offerings, our Hughes segment also provides managed services, hardware, and satellite services to large enterprise and government customers globally. Examples of such customers include lottery agencies, gas station operators and companies with multi-branch networks that rely on satellite or terrestrial networks for critical communication across wide geographies. Most of our enterprise customers have contracts with us for the services they purchase.

Our Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. Developments toward the launch of next-generation satellite systems including low-earth orbit ("LEO") and geostationary systems could provide additional opportunities to drive the demand for our network equipment and services. The growth of our enterprise and equipment businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies.

We continue our efforts to grow our consumer satellite services business outside of the U.S. In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil provides us Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. That satellite was launched in March 2016 and we began delivering high-speed consumer satellite broadband services in Brazil in July 2016. In September 2015, we entered into satellite services agreements pursuant to which affiliates of Telesat Canada will provide to us, the Ka-band capacity on a satellite to be located at the 63 degree west longitude orbital location for a 15-year term. We expect the satellite to be launched in the second quarter of 2018 and plan to enter into service in additional markets across South America once that capacity is available for commercial use.

We are tracking closely the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies and expertise to find new commercial opportunities for our business. In June 2015, EchoStar made, an equity investment in WorldVu Satellites Limited ("OneWeb"), a global LEO satellite service company and we entered into an agreement with OneWeb to provide certain equipment and services in connection with the ground systems for OneWeb's LEO satellites. Our Hughes segment also has the right of first refusal to 50% of the OneWeb capacity in the United States, Europe, Brazil and India for offering latency sensitive services to our Hughes segment's customer base.

As of September 30, 2016 and December 31, 2015, our Hughes segment had approximately 1,018,000 and 1,035,000 broadband subscribers, respectively. These broadband subscribers include customers that subscribe to our HughesNet broadband services through retail, wholesale and small/medium enterprise service channels. Gross subscriber additions decreased slightly in the third quarter of 2016 when compared to the second quarter of 2016 primarily due to a decrease in additions in our wholesale channel due to satellite beams servicing certain areas reaching capacity. Our average monthly subscriber churn percentage for the third quarter of 2016 increased as compared to the second quarter of 2016. As a result of lower gross subscriber additions and an increase in churn, net subscribers for the quarter ended September 30, 2016 decreased by approximately 12,000 when compared to the second quarter of 2016 with decreases in both wholesale and retail subscribers. Subscriber additions and churn include only subscribers through our retail and wholesale channels.

As of September 30, 2016 and December 31, 2015, our Hughes segment had approximately $1.46 billion and $1.44 billion, respectively, of contracted revenue backlog. We define Hughes contracted revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market.

EchoStar Satellite Services Segment

Our ESS segment is a global provider of satellite service operations and video delivery solutions. We operate our business using our owned and leased in-orbit satellites. We provide satellite services on a full-time and occasional-use basis primarily to DISH Network Corporation and its subsidiaries ("DISH Network") (our largest customer), Dish Mexico, S. de R.L. de C.V. ("Dish Mexico") (a joint venture of our parent company, EchoStar), U.S. government service providers, 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 ESS segment, and we expect that DISH Network will continue to be the primary source of revenue for our ESS segment. Therefore, the results of operations of our ESS segment are linked to changes in DISH Network's satellite capacity requirements. DISH Network's capacity requirements have been driven by the addition of new channels and migration of programming to high-definition TV and video on demand services. The services that we provide to DISH Network are critical to its nationwide delivery of content to its customers across the U.S.

In August 2014, we entered into: (i) a construction contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-band, Ku-band and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. ("SES") pursuant to which we will transfer the title to the C-band and Ka-band payloads to SES Satellite Leasing Limited at launch and transfer the title to the Ku-band payload to SES following in-orbit testing of the satellite. Simultaneously, SES will provide to us satellite service on the entire Ku-band payload on the EchoStar 105/SES-11 satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. Due to anomalies experienced by our launch provider, the expected launch date of the EchoStar 105/SES-11 satellite has been delayed. We currently expect to launch the EchoStar 105/SES-11 satellite in the first half of 2017. Our Ku-band payload on the EchoStar 105/SES-11 satellite will replace and augment our current capacity on the AMC-15 satellite. As a result of this launch delay, we expect to incur additional costs related to the lease of the AMC-15 satellite.

Revenue growth in our ESS segment depends largely on our ability to continuously make additional satellite capacity available for sale. Once the EchoStar 105/SES-11 satellite is launched and placed into operation, we expect periodic revenue from the satellite to exceed the amount currently generated by the AMC-15 satellite. As a result of the launch delay, we expect a delay in revenue generated from the EchoStar 105/SES-11 satellite.

We continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking, and control services to third parties, which leverages the ground monitoring networks and personnel currently within our business.

As of September 30, 2016 and December 31, 2015, our ESS segment had contracted revenue backlog attributable to satellites currently in orbit of approximately $1.21 billion and $1.41 billion, respectively.

New Business Opportunities

Our industry is evolving with the increase in worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, other technologies such as geostationary high throughput satellites, LEO orbit networks, balloons, and High Altitude Platform Systems will likely play significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, networks and services for information, entertainment and commerce in North America and internationally for consumers, enterprises and governments.

We are selectively exploring opportunities to 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. We may allocate significant resources for long-term initiatives that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

Statements of Operations Data (1)	For the Nine Months Ended September 30, 2016	2015	Variance Amount	%
	(Dollars in thousands)			
Revenue:				
Services and other revenue - DISH Network	$ 337,353	$ 394,937	$ (57,584)	(14.6)
Services and other revenue - other	821,863	817,307	4,556	0.6
Equipment revenue - DISH Network	7,008	6,992	16	0.2
Equipment revenue - other	160,886	154,505	6,381	4.1
Total revenue	1,327,110	1,373,741	(46,631)	(3.4)
Costs and Expenses:				
Cost of sales - services and other	381,964	394,327	(12,363)	(3.1)
% of Total services and other revenue	**33.0%**	**32.5%**		
Cost of sales - equipment	144,029	142,537	1,492	1.0
% of Total equipment revenue	**85.8%**	**88.3%**		
Selling, general and administrative expenses	207,974	203,871	4,103	2.0
% of Total revenue	**15.7%**	**14.8%**		
Research and development expenses	23,524	18,876	4,648	24.6
% of Total revenue	**1.8%**	**1.4%**		
Depreciation and amortization	309,448	324,797	(15,349)	(4.7)
Total costs and expenses	1,066,939	1,084,408	(17,469)	(1.6)
Operating income	260,171	289,333	(29,162)	(10.1)
Other Income (Expense):				
Interest income	7,427	3,391	4,036	*
Interest expense, net of amounts capitalized	(127,626)	(129,559)	1,933	(1.5)
Loss from partial redemption of debt	—	(5,044)	5,044	(100.0)
Gains (losses) and impairment on marketable investment securities, net	5,300	(11,384)	16,684	*
Other, net	12,123	5,864	6,259	*
Total other expense, net	(102,776)	(136,732)	33,956	(24.8)
Income before income taxes	157,395	152,601	4,794	3.1
Income tax provision	(57,277)	(58,520)	1,243	(2.1)
Net income	100,118	94,081	6,037	6.4
Less: Net income attributable to noncontrolling interests	946	1,006	(60)	(6.0)
Net income attributable to HSS	$ 99,172	$ 93,075	$ 6,097	6.6
Other Data:				
EBITDA (2)	$ 586,096	$ 602,560	$ (16,464)	(2.7)
Subscribers, end of period	1,018,000	1,025,000	(7,000)	(0.7)

* Percentage is not meaningful.
(1) An explanation of our key metrics is included on pages 44 to 46 under the heading "Explanation of Key Metrics and Other Items."
(2) A reconciliation of EBITDA to "Net income," the most directly comparable GAAP measure in the accompanying financial statements, is included on page 42. For further information on our use of EBITDA see "Explanation of Key Metrics and Other Items" on page 45.

Services and other revenue — DISH Network. "Services and other revenue — DISH Network" totaled $337.4 million for the nine months ended September 30, 2016, a decrease of $57.6 million or 14.6%, compared to the same period in 2015.

Services and other revenue - DISH Network from our Hughes segment for the nine months ended September 30, 2016 increased by $4.8 million, or 6.9%, to $74.6 million compared to the same period in 2015. The increase was primarily attributable to an increase in wholesale subscribers receiving services pursuant to our Distribution Agreement with dishNET.

Services and other revenue - DISH Network from our ESS segment for the nine months ended September 30, 2016 decreased by $63.0 million, or 19.4%, to $261.6 million compared to the same period in 2015. The decrease was mainly due to a decrease of $62.5 million in revenue as a result of the termination of the satellite services provided to DISH Network from the EchoStar I and EchoStar VIII satellites effective in November 2015.

Services and other revenue — other. "Services and other revenue — other" totaled $821.9 million for the nine months ended September 30, 2016, an increase of $4.6 million, or 0.6%, compared to the same period in 2015.

Services and other revenue - other from our Hughes segment for the nine months ended September 30, 2016 increased by $9.8 million, or 1.3%, to $779.1 million compared to the same period in 2015. The increase was primarily attributable to an increase of $25.5 million in sales of broadband services to our domestic consumer customers, partially offset by a decrease of $13.5 million of broadband services to our international customers and a decrease of $1.6 million in sales of broadband services to our domestic enterprise customers.

Services and other revenue - other from our ESS segment for the nine months ended September 30, 2016 decreased by $5.4 million, or 10.9%, to $44.3 million compared to the same period in 2015. The decrease was primarily attributable to a decrease in sales of transponder services due to a decrease in the number of transponders available for use in providing service.

Equipment revenue — other. "Equipment revenue — other" totaled $160.9 million for the nine months ended September 30, 2016, an increase of $6.4 million, or 4.1%, compared to the same period in 2015. The increase was mainly due to an increase of $25.5 million in sales of broadband equipment to our domestic enterprise customers, partially offset by a decrease of $21.0 million in revenue from our international and telecom systems customers.

Cost of sales — services and other. "Cost of sales — services and other" totaled $382.0 million for the nine months ended September 30, 2016, a decrease of $12.4 million, or 3.1%, compared to the same period in 2015.

Cost of sales - services and other from our Hughes segment for the nine months ended September 30, 2016 decreased by $6.9 million, or 2.0%, to $334.4 million compared to the same period in 2015. The decrease was primarily attributable to a decrease in costs of our broadband services provided to our international customers of $5.5 million.

Cost of sales - services and other from our ESS segment for the nine months ended September 30, 2016 decreased by $6.2 million, or 11.3%, to $48.1 million compared to the same period in 2015. The decrease was primarily due to a decrease in cost of sales of transponder services as a result of a decrease in the number of leased transponders available for use in providing service.

Cost of sales — equipment. "Cost of sales — equipment" totaled $144.0 million for the nine months ended September 30, 2016, an increase of $1.5 million, or 1.0%, compared to the same period in 2015. The increase was primarily attributable to an increase of $16.3 million in equipment costs related to the increase in sales volume of broadband equipment to our domestic consumer and enterprise customers, partially offset by a decrease of $15.6 million in equipment costs related to the decrease in sales to our international and telecom systems customers.

Research and development expenses. "Research and development expenses" totaled $23.5 million for the nine months ended September 30, 2016, an increase of $4.6 million or 24.6%, compared to the same period in 2015. The increase was primarily related to an increase in research and development expense in our Hughes segment. Our research and development activities vary based on the activity level and scope of other engineering and customer related development contracts.

Depreciation and amortization. "Depreciation and amortization" expenses totaled $309.4 million for the nine months ended September 30, 2016, a decrease of $15.3 million or 4.7%, compared to the same period in 2015. The decrease was primarily related to certain of our fully amortized other intangible assets in our Hughes segment and the fully depreciated EchoStar IX satellite as of October 2015 in our ESS segment.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $127.6 million for the nine months ended September 30, 2016, a decrease of $1.9 million or 1.5%, compared to the same period in 2015. The decrease was primarily due to higher capitalized interest of $12.8 million related to the construction of the EchoStar XIX, EchoStar XXI, and EchoStar 105/SES-11 satellites, and payments for satellite services on the EUTELSAT 65 West A and Telesat T19V ("63 West") satellites, and a decrease in interest expense of $3.2 million relating to the partial redemption of the outstanding principal amount of HSS' 6 1/2 Senior Secured Notes due 2019 (the "2019 Senior Secured Notes") in 2015. The decreases were partially offset by an increase of $15.8 million in interest expense related to the issuance of the 2026 Senior Secured Notes and the 2026 Senior Unsecured Notes (collectively, the "2026 Notes") in the third quarter of 2016.

Loss from partial redemption of debt. "Loss from partial redemption of debt" totaled zero for the nine months ended September 30, 2016. In 2015, the $5.0 million loss related to the partial redemption of the 2019 Senior Secured Notes in the second quarter of 2015 which included a $3.3 million redemption premium and a $1.7 million write off of related unamortized financing costs.

Gains (losses) and impairment on marketable investment securities, net. "Gains (losses) and impairment on marketable investment securities, net" totaled $5.3 million in gains for the nine months ended September 30, 2016 compared to $11.4 million in losses for the same period in 2015. The change of $16.7 million was primarily due to an increase of $7.9 million in gains on our trading securities, an other than temporary impairment loss of $5.9 million on certain strategic equity securities in our marketable investment securities in 2015, and an increase of $3.0 million in realized gains on our securities classified as available-for-sale.

Other, net. "Other, net" totaled $12.1 million in income for the nine months ended September 30, 2016 compared to $5.9 million in income for the same period in 2015. The change of $6.3 million was primarily related to (i) $13.5 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016, (ii) a decrease of $4.8 million in foreign exchange losses, (iii) a decrease of $6.1 million related to a protective put associated with our trading securities, (iv) a $4.5 million non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 as a result of anomalies that previously affected the operation of these satellites, and (v) a gain of $1.7 million on the exchange of accounts receivable for certain trading securities in the second quarter of 2015.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA was $586.1 million for the nine months ended September 30, 2016, a decrease of $16.5 million or 2.7%, compared to the same period in 2015. The decrease was primarily due to (i) a decrease of $35.8 million in gross margin, which we define as total revenue less total cost of sales, (ii) a decrease of $4.5 million as a result of a non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 as a result of anomalies that previously affected the operation of these satellites, (iii) an increase of selling, general and administrative expense of $4.1 million and (iv) a decrease of $6.1 million related to a protective put associated with our trading securities. These decreases were partially offset by (i) $13.5 million attributable to a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016, (ii) a $5.0 million loss related to the partial redemption of the 2019 Senior Secured Notes in the second quarter of 2015, (iii) an other than temporary impairment loss of $5.9 million on certain strategic equity securities in our marketable investment securities in the second quarter of 2015, and (iv) a decrease of $4.8 million in foreign exchange losses. 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 Net income, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Nine Months Ended September 30,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Net income	100,118	94,081	$ 6,037	6.4
Interest income and expense, net	120,199	126,168	(5,969)	(4.7)
Income tax provision	57,277	58,520	(1,243)	(2.1)
Depreciation and amortization	309,448	324,797	(15,349)	(4.7)
Net income attributable to noncontrolling interests	(946)	(1,006)	60	(6.0)
EBITDA	$ 586,096	$ 602,560	$ (16,464)	(2.7)

Income tax provision. Income tax expense was $57.3 million for the nine months ended September 30, 2016, a decrease of $1.2 million or 2.1%. Our effective income tax rate was 36.4% and 38.3% for the nine months ended September 30, 2016 and 2015, respectively. The variations in our current year effective tax rate from the U.S. federal statutory rate for the nine months ended September 30, 2016 were primarily due to the impact of state and local taxes, partially offset by research and experimentation credits. For the nine months ended September 30, 2015, the variations in our effective tax rate from the U.S. federal statutory rate were primarily due to the impact of state and local taxes.

Net income attributable to HSS. "Net income attributable to HSS" was $99.2 million for the nine months ended September 30, 2016, an increase of $6.1 million, or 6.6%, compared to the same period in 2015. The increase was primarily due to (i) an increase of $16.7 million in the gains (losses) and impairment on marketable investments, net, (ii) a decrease of $15.3 million in depreciation and amortization expense related to certain of our fully amortized other intangible assets in our Hughes segment and the fully depreciated EchoStar IX satellite as of October 2015 in our ESS segment, (iii) $13.5 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees which was reversed in the first quarter of 2016, (iv) higher capitalized interest of $12.8 million related to the construction of the EchoStar XIX, EchoStar XXI, EchoStar XXIII, and EchoStar 105/SES-11 satellites, and payments for satellite services on the EUTELSAT 65 West A and 63 West satellites, (v) a $5.0 million loss related to the partial redemption of the 2019 Senior Secured Notes in the second quarter of 2015, (vi) $4.5 million non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 and (vii) a decrease in interest expense of $3.2 million relating to the partial redemption of the outstanding principal amount of the 2019 Senior Secured Notes in 2015. The increase was partially offset by (i) a decrease of $35.8 million in gross margin, (ii) an increase of $15.8 million in interest expense related to the issuance of the 2026 Notes in the third quarter of 2016, (iii) a decrease of $6.1 million related to a protective put associated with our trading securities, (iv) an increase in research and development expense of $4.6 million and (v) an increase in income tax expense of $1.2 million in 2016.

Segment Operating Results and Capital Expenditures

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
For the Nine Months Ended September 30, 2016				
Total revenue	$ 1,021,451	$ 305,919	$ (260)	$ 1,327,110
Capital expenditures	$ 261,241	$ 50,762	$ —	$ 312,003
EBITDA	$ 317,865	$ 255,712	$ 12,519	$ 586,096
For the Nine Months Ended September 30, 2015				
Total revenue	$ 1,000,194	$ 374,287	$ (740)	$ 1,373,741
Capital expenditures	$ 207,680	$ 84,667	$ —	$ 292,347
EBITDA	$ 296,269	$ 314,177	$ (7,886)	$ 602,560

Hughes Segment

	For the Nine Months Ended September 30,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Total revenue	$ 1,021,451	$ 1,000,194	$ 21,257	2.1
Capital expenditures	$ 261,241	$ 207,680	$ 53,561	25.8
EBITDA	$ 317,865	$ 296,269	$ 21,596	7.3

Revenue

Hughes segment total revenue for the nine months ended September 30, 2016 increased by $21.3 million, or 2.1%, compared to the same period in 2015. The increase was primarily due to an increase of $30.5 million in revenue related to sales of broadband services to our consumer customers and dishNET and an increase of $25.5 million in revenue related to sales of broadband equipment to our domestic enterprise customers. These increases were partially offset by a decrease in revenue of broadband equipment and services to our international and telecom systems customers of $34.4 million.

Capital Expenditures

Hughes segment capital expenditures for the nine months ended September 30, 2016 increased by $53.6 million, or 25.8%, compared to the same period in 2015, primarily as a result of an increase in expenditures on the 63 West and EUTELSAT 65 West A satellites, and satellite ground infrastructures related to the EchoStar XIX and EchoStar XXI satellites.

EBITDA

Hughes segment EBITDA for the nine months ended September 30, 2016 was $317.9 million, an increase of $21.6 million, or 7.3%, compared to the same period in 2015. The increase was primarily attributable to a $26.6 million increase in total gross margin, a decrease of $4.8 million in foreign exchange losses, and a decrease of $3.0 million in litigation settlements recorded in 2015. These increases were partially offset by an increase of $4.6 million in research and development expenses, an increase of $3.2 million in marketing and promotional costs, and an increase of $4.8 million in general and administrative expenses.

EchoStar Satellite Services Segment

	For the Nine Months Ended September 30,				Variance			
	2016		2015		Amount		%	
	(Dollars in thousands)							
Total revenue	$	305,919	$	374,287	$	(68,368)	(18.3)
Capital expenditures	$	50,762	$	84,667	$	(33,905)	(40.0)
EBITDA	$	255,712	$	314,177	$	(58,465)	(18.6)

Revenue

ESS segment total revenue for the nine months ended September 30, 2016 decreased by $68.4 million, or 18.3%, compared to the same period in 2015, primarily due to a decrease of $62.5 million in revenue as a result of the termination of the satellite services provided to DISH Network from the EchoStar I and EchoStar VIII satellites effective in November 2015 and a decrease of $5.4 million primarily attributable to a decrease in sales of transponder services.

Capital Expenditures

ESS segment capital expenditures for the nine months ended September 30, 2016 decreased by $33.9 million, or 40.0%, compared to the same period in 2015, primarily related to a decrease in expenditures on the EchoStar 105/SES-11 satellite.

EBITDA

ESS segment EBITDA for the nine months ended September 30, 2016 was $255.7 million, a decrease of $58.5 million, or 18.6%, compared to the same period in 2015. The decrease in EBITDA for our ESS segment was primarily due to a decrease of $62.2 million in gross margin primarily driven by the decrease in service revenue as a result of the termination of the satellite services provided to DISH Network from the EchoStar I and EchoStar VIII satellites effective in November 2015 and a $4.5 million non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 as a result of prior anomalies affecting these satellites. The decrease in EBITDA was partially offset by a $7.5 million increase due to a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

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. "Services and other revenue — DISH Network" also includes subscriber wholesale service fees for the Hughes service sold to dishNET.

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

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.

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

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.

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.

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.

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

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

Loss from partial redemption of debt. "Loss from partial redemption of debt" primarily includes the loss from the partial redemption of the 2019 Senior Secured Notes representing the redemption premium that the Company paid to the holders of its 2019 Senior Secured Notes and the write-off of related unamortized debt issuance costs.

Gains (losses) and impairment on marketable investment securities, net. "Gains (losses) and impairment on marketable investment securities, net" primarily includes gains, net of any losses, on the sale or exchange of investments and other-than-temporary impairment on certain of our marketable investment securities.

Other, net. "Other, net" primarily includes foreign exchange gains and losses, dividends received from our marketable investment securities, equity in earnings of unconsolidated affiliate, 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" excluding "Interest expense, net of amounts capitalized," "Interest income," "Income tax provision," and "Depreciation and amortization." EBITDA is not a measure determined in accordance with GAAP. This non-GAAP measure is reconciled to "Net income" 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. 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 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” include customers that subscribe to our Hughes segment’s HughesNet broadband services, through retail, wholesale and small/medium enterprise service channels.

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 amended) 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 such that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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, as amended) that occurred during the third quarter of 2016 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.

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 Form 10-Q.

Item 1A. RISK FACTORS

Item 1A, “Risk Factors,” of our Form 10-K for the year ended December 31, 2015 includes a detailed discussion of our risk factors. Except as provided below, for the nine months ended September 30, 2016, there were no material changes in our risk factors as previously disclosed.

GENERAL RISKS AFFECTING OUR BUSINESS

The failure to adequately anticipate the need for satellite capacity or the inability to obtain satellite capacity for our Hughes segment could harm our results of operations.

Our Hughes segment has made substantial contractual commitments for satellite capacity based on our existing customer contracts and backlog. If our existing customer contracts were to be terminated prior to their respective expiration dates, we may be committed to maintaining excess satellite capacity for which we will have insufficient revenue to cover our costs, which would have a negative impact on our margins and results of operations. Alternatively, we may not have sufficient satellite capacity to meet demand. We have satellite capacity commitments, generally for two to five year terms, with third parties to cover different geographical areas or support different applications and features; therefore, we may not be able to quickly or easily adjust our capacity to changes in demand. We generally only purchase satellite capacity based on existing contracts and bookings. Therefore, capacity for certain types of coverage in the future may not be readily available to us, and we may not be able to satisfy certain needs of our customers, which could result in a loss of possible new business and could negatively impact the margins for those services. At present, until the launch and operation of additional satellites, there is limited availability of capacity on the frequencies we use in North America, including within our own fleet of satellites. Our ability to provide additional capacity for subscriber growth in our North American consumer market could also be adversely affected by regulations in the U.S. recently adopted by the FCC. The FCC has enabled the use of a portion of the frequency bands, including without limitation, the Ka-band, where we operate our broadband gateway earth stations, for 5G mobile terrestrial services. In addition, the FSS industry has seen consolidation in the past decade, and today, the main FSS providers in North America and a number of smaller regional providers own and operate the current satellites that are available for our capacity needs. The failure of any of these FSS providers to replace existing satellite assets at the end of their useful lives or a downturn in their industry as a whole could reduce or interrupt the satellite capacity available to us. If we are not able to renew our capacity leases at economically viable rates, or if capacity is not available due to problems experienced by these FSS providers, our business and results of operations could be adversely affected.

We may not be able to generate cash to meet our debt service needs or fund our operations.

As of September 30, 2016, our total indebtedness was approximately $3.66 billion. Our ability to make payments on or to refinance our indebtedness and to fund our operations will depend on our ability to generate cash in the future, which is subject in part to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to raise additional debt in order to fund ongoing operations or to capitalize on business opportunities. We may not be able to generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to enable us to service our indebtedness or to fund our operations or other liquidity needs. If we are unable to generate sufficient cash, we may be forced to take actions such as revising or delaying our strategic plans, reducing or delaying capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to implement any of these actions on satisfactory terms, or at all. The indentures governing the 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes and the 2026 Notes limit our ability to dispose of assets and use the proceeds from such dispositions. Therefore, we may not be able to consummate those dispositions on satisfactory terms, or at all, or to use those proceeds in a manner we may otherwise prefer.

In addition, conditions in the financial markets could make it difficult for us to access capital markets at acceptable terms or at all. Instability or other conditions in the equity markets could make it difficult for us to raise equity financing without incurring substantial dilution to our existing shareholders. In addition, sustained or increased economic weaknesses or pressures or new economic conditions may limit our ability to generate sufficient internal cash to fund investments, capital expenditures, acquisitions, and other strategic transactions. We cannot predict with any certainty whether or not we will be impacted by economic conditions.

As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

Covenants in our indentures restrict our business in many ways.

The indentures governing the 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes, and the 2026 Notes contain various covenants, subject to certain exceptions, that limit our ability and/or our restricted subsidiaries' ability to, among other things:

- incur additional debt;
- pay dividends or make distributions on our capital stock or repurchase our capital stock;
- make certain investments;
- create liens or enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- merge or consolidate with another company;
- transfer and sell assets; and
- allow to exist certain restrictions on the ability of certain of our subsidiaries to pay dividends, make distributions, make other payments, or transfer assets to us or our subsidiaries.

Failure to comply with these and certain other financial covenants, if not cured or waived, may result in an event of default under the indentures, which could have a material adverse effect on our business, financial condition, results of operations or prospects. If an event of default occurs and is continuing under the respective indenture, the trustee under that indenture or the requisite holders of the notes under that indenture may declare all such notes to be immediately due and payable and, in the case of the indentures governing any of our secured notes, could proceed against the collateral that secures the applicable secured notes. We and certain of our subsidiaries have pledged a significant portion of our assets as collateral to secure the 2019 Senior Secured Notes and the 2026 Senior Secured Notes. If we do not have enough cash to service our debt or fund other liquidity needs, we may be required to take actions such as requesting a waiver from the holders of the notes, reducing or delaying capital expenditures, selling assets, restructuring or refinancing all or part of the existing debt, or seeking additional equity capital. We cannot assure you that any of these remedies can be implemented on commercially reasonable terms or at all, which could result in the trustee declaring the notes to be immediately due and payable and/or foreclosing on the collateral.

We may be subject to risks relating to the referendum of the United Kingdom's membership of the European Union.

In June 2016, the United Kingdom (the "U.K.") held a referendum in which voters approved an exit from the EU, commonly referred to as the "Brexit." As a result of the referendum, it is expected that the U.K. government will begin negotiating the terms of the U.K.'s future relationship with the EU. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and EU countries. Additionally, with the U.K. no longer being a part of the EU, we anticipate that there may be certain regulatory changes that may impact the regulatory regime under which we operate in both the U.K. and the EU. These and other changes, implications and consequences of the Brexit may adversely affect our business and results of operations.

RISKS RELATED TO OUR SATELLITES

Our satellites under construction are subject to risks related to construction and launch that could limit our ability to utilize these satellites.

Satellite construction and launch are subject to significant risks, including delays, anomalies, launch failure and incorrect orbital placement. Certain launch vehicles that may be used by us have either unproven track records or have experienced launch failures in the past. The risks of launch delay, launch anomalies and launch failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch anomalies and failures can result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take more than three years, and to obtain other launch opportunities. Such significant delays could materially and adversely affect our business, expenses and results of operations, our ability to meet regulatory or contractual required milestones, the availability and our use of other or replacement satellite resources and our ability to provide services to customers as capacity becomes full on existing satellites. In addition, significant delays in a satellite program could give customers who have purchased or reserved capacity on that satellite a right to terminate their service contracts relating to the satellite. We may not be able to accommodate affected customers on other satellites until a replacement satellite is available. A customer's termination of its service contracts with us as a result of a launch delay or failure would reduce our contracted backlog and our ability to generate revenue. One of our launch services providers is a Russian Federation state-owned company. Recent ongoing political events, including the imposition of sanctions, have created uncertainty as to the stability of U.S. and Russian Federation relations. This could add to risks relative to scheduling uncertainties and timing. Historically, we have not always carried launch insurance for the launch of our satellites. If a launch delay, anomaly or failure were to occur, it could result in the revocation of the applicable license to operate the satellite, undermine our ability to implement our business strategy or develop or pursue existing or future business opportunities with applicable licenses and otherwise have a material adverse effect on our business, expenses, assets, revenue, results of operations and ability to fund future satellite procurement and launch opportunities. In addition, the occurrence of launch anomalies and failures, whether on our satellites or those of others, may significantly reduce our ability to place launch insurance for our satellites or make launch insurance uneconomical.

RISKS RELATED TO THE REGULATION OF OUR BUSINESS

Our business is subject to risks of adverse government regulation.

Our business is subject to varying degrees of regulation in the U.S. by the FCC, and other federal, state and local entities, and in foreign countries by similar entities and internationally by the International Telecommunications Union. These regulations are subject to the administrative and political process and do change, for political and other reasons, from time to time. For example, the FCC recently adopted an order in its "Spectrum Frontiers" proceeding under which a portion of the Ka-band, in which we operate our broadband gateway earth stations, has been enabled for 5G mobile terrestrial services. Other countries in which we currently, or may in the future, operate are also considering regulations that could limit access to the Ka band. Additionally, the FCC is considering adopting a regulatory regime whereby consumer electronics manufacturers, innovators, and other developers would be able to build devices or software solutions that may provide access to multichannel video programming with the use of user interfaces and without the use of any set-top box. If adopted, these regulations could have a material adverse effect on our business, results of operations, and financial position. Moreover, a substantial number of foreign countries in which we have, or may in the future make, an investment, regulate, in varying degrees, the ownership of satellites and other telecommunication facilities/networks and foreign investment in telecommunications companies. Violations of laws or regulations may result in various sanctions including fines, loss of authorizations and the denial of applications for new authorizations or for the renewal of existing authorizations. Further material changes in law and regulatory requirements may also occur, and there can be no assurance that our business and the business of our subsidiaries and affiliates will not be adversely affected by future legislation, new regulation or deregulation. The failure to obtain or comply with the authorizations and regulations governing our operations could have a material adverse effect on our ability to generate revenue and our overall competitive position and could result in our suffering serious harm to our reputation.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Item 5. OTHER INFORMATION

None

Table of Contents

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(I)	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.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

(H) Filed herewith.
(I) Furnished herewith.
* Incorporated by reference.
** Constitutes a management contract or compensatory plan or arrangement.

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: November 8, 2016	By:	/s/ *Michael T. Dugan*
		Michael T. Dugan
		Chief Executive Officer, President and Director
		(Principal Executive Officer)
Date: November 8, 2016	By:	/s/ *David J. Rayner*
		David J. Rayner
		Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer
		(Principal Financial and Accounting Officer)

EXHIBIT 31.1

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: November 8, 2016

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: November 8, 2016

By:	*/s/ David J. Rayner*
Name:	David J. Rayner
Title:	Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer *(Principal Financial and Accounting 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 September 30, 2016 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: November 8, 2016

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, Chief Operating Officer and Treasurer
	(Principal Financial and Accounting 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 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 of 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 nine months ended September 30, 2016 and 2015 and the year ended December 31, 2015 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 September 30, 2016 and December 31, 2015 and our consolidated revenue, expenses and cash flows for the three and nine months ended September 30, 2016 and 2015. 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. The financial information in this Exhibit should be read in conjunction with our unaudited condensed consolidated financial statements for the period ended September 30, 2016 included in our Quarterly Report on Form 10-Q.

CONDENSED ATTRIBUTED BALANCE SHEETS

(In thousands)

(Unaudited)

	Attributed As of September 30, 2016				Attributed As of December 31, 2015			
	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	$ —	$ 2,224,612	$ —	$ 2,224,612	$ —	$ 636,333	$ —	$ 636,333
Trade accounts receivable, net	26,942	134,726	—	161,668	27,094	112,416	—	139,510
Trade accounts receivable - DISH Network, net	—	24,526	—	24,526	—	21,258	—	21,258
Inventory	5,688	59,256	(1,333)	63,611	6,699	43,665	(1,567)	48,797
Prepaids and deposits	543	35,252	—	35,795	990	37,232	—	38,222
Inter-group advances	1,711	—	(1,711)	—	—	30,398	(30,398)	—
Other current assets	—	109,804	—	109,804	—	60,660	—	60,660
Total current assets	34,884	2,588,176	(3,044)	2,620,016	34,783	941,962	(31,965)	944,780
Noncurrent Assets:								
Restricted cash and cash equivalents	—	12,526	—	12,526	—	20,140	—	20,140
Property and equipment, net	148,298	2,184,460	(17,409)	2,315,349	162,497	2,118,727	(15,822)	2,265,402
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	19,423	69,983	—	89,406	31,488	83,932	—	115,420
Economic interest in Hughes Retail Group	—	318,044	(318,044)	—	—	320,412	(320,412)	—
Investments in unconsolidated entities	—	39,874	—	39,874	—	41,481	—	41,481
Deferred tax asset	33,927	6,767	(33,927)	6,767	19,685	3,816	(19,685)	3,816
Other noncurrent assets, net	31,513	264,182	(558)	295,137	35,277	169,799	(667)	204,409
Total noncurrent assets	493,161	3,611,667	(369,938)	3,734,890	508,947	3,474,138	(356,586)	3,626,499
Total assets	$ 528,045	$ 6,199,843	$ (372,982)	$ 6,354,906	$ 543,730	$ 4,416,100	$ (388,551)	$ 4,571,279
Liabilities and Stockholders' Equity								
Current Liabilities:								
Trade accounts payable	$ 12,559	$ 102,987	$ —	$ 115,546	$ 12,023	85,644	$ —	$ 97,667
Current portion of long-term debt and capital lease obligations	—	31,894	—	31,894	—	30,284	—	30,284
Deferred revenue and prepayments	28,198	30,049	—	58,247	26,636	30,857	—	57,493
Accrued compensation	—	17,296	—	17,296	—	18,932	—	18,932
Advances from affiliates, net	—	4,461	—	4,461	—	3,773	—	3,773
Inter-group advances	—	1,711	(1,711)	—	30,398	—	(30,398)	—
Accrued interest	—	56,869	—	56,869	—	8,310	—	8,310
Accrued expenses and other	39,580	38,837	—	78,417	26,399	70,102	—	96,501
Total current liabilities	80,337	284,104	(1,711)	362,730	95,456	247,902	(30,398)	312,960
Noncurrent Liabilities:								
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	—	3,628,924	—	3,628,924	—	2,154,988	—	2,154,988
Deferred tax liabilities	—	544,000	(33,927)	510,073	—	472,035	(19,685)	452,350
Advances from affiliates	—	31,089	—	31,089	—	25,283	—	25,283
Other noncurrent liabilities	5,305	79,391	—	84,696	2,576	81,482	—	84,058
Total noncurrent liabilities	5,305	4,283,404	(33,927)	4,254,782	2,576	2,733,788	(19,685)	2,716,679
Total liabilities	85,642	4,567,508	(35,638)	4,617,512	98,032	2,981,690	(50,083)	3,029,639
Shareholders' Equity:								
Equity/Attributed net assets	442,403	1,620,265	(337,344)	1,725,324	445,698	1,423,100	(338,468)	1,530,330
Noncontrolling interests	—	12,070	—	12,070	—	11,310	—	11,310
Total shareholders' equity	442,403	1,632,335	(337,344)	1,737,394	445,698	1,434,410	(338,468)	1,541,640
Total liabilities and equity/attributed net assets	$ 528,045	$ 6,199,843	$ (372,982)	$ 6,354,906	$ 543,730	$ 4,416,100	$ (388,551)	$ 4,571,279

CONDENSED ATTRIBUTED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Attributed For the Three Months Ended September 30, 2016				Attributed For the Three Months Ended September 30, 2015			
	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 - DISH Network	$ —	$113,888	$ —	113,888	$ —	$135,119	$ —	$ 135,119
Services and equipment revenue - other	162,257	262,513	(81,392)	343,378	157,706	254,202	(82,996)	328,912
Total revenue	162,257	376,401	(81,392)	457,266	157,706	389,321	(82,996)	464,031
Costs and Expenses:								
Cost of sales (exclusive of depreciation and amortization)	94,730	168,868	(79,410)	184,188	91,530	168,501	(79,627)	180,404
Selling, general and administrative expenses	33,954	33,920	—	67,874	34,822	33,481	—	68,303
Research and development expenses	—	9,030	—	9,030	—	6,809	—	6,809
Depreciation and amortization	33,073	73,849	(2,148)	104,774	35,365	75,292	(1,499)	109,158
Total costs and expenses	161,757	285,667	(81,558)	365,866	161,717	284,083	(81,126)	364,674
Operating income (loss)	500	90,734	166	91,400	(4,011)	105,238	(1,870)	99,357
Other Income (Expense):								
Interest income	—	4,009	(3)	4,006	—	1,174	(39)	1,135
Interest expense, net of amounts capitalized	(3)	(53,536)	3	(53,536)	(39)	(40,907)	39	(40,907)
Loss from partial redemption of debt	—	—	—	—	—	—	—	—
Gains (losses) and impairment on marketable investment securities, net	—	5	—	5	—	(5,122)	—	(5,122)
Equity in earnings of unconsolidated affiliate	—	2,654	—	2,654	—	2,305	—	2,305
Retained interest in earnings (loss) of Hughes Retail Group	—	215	(215)	—	—	(1,754)	1,754	—
Other, net	—	(24)	—	(24)	—	2,631	—	2,631
Total other income (expense), net	(3)	(46,677)	(215)	(46,895)	(39)	(41,673)	1,754	(39,958)
Income (loss) before income taxes	497	44,057	(49)	44,505	(4,050)	63,565	(116)	59,399
Income tax benefit (provision)	(197)	(16,219)	—	(16,416)	1,610	(23,777)	—	(22,167)
Net income (loss)	300	27,838	(49)	28,089	(2,440)	39,788	(116)	37,232
Less: Net income (loss) attributable to noncontrolling interests	—	524	—	524	—	209	—	209
Net income (loss) attributable to HSS	$ 300	$ 27,314	$ (49)	$ 27,565	$ (2,440)	$ 39,579	$ (116)	$ 37,023

CONDENSED ATTRIBUTED STATEMENTS OF OPERATIONS
(In thousands)
(Unaudited)

	Attributed For the Nine Months Ended September 30, 2016				Attributed For the Nine Months Ended September 30, 2015			
	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 - DISH Network	$ —	$ 344,361	$ —	$ 344,361	$ —	$ 401,929	$ —	$ 401,929
Services and equipment revenue - other	480,747	748,346	(246,344)	982,749	455,692	761,914	(245,794)	971,812
Total revenue	480,747	1,092,707	(246,344)	1,327,110	455,692	1,163,843	(245,794)	1,373,741
Costs and Expenses:								
Cost of sales (exclusive of depreciation and amortization)	278,859	486,198	(239,064)	525,993	267,737	505,024	(235,897)	536,864
Selling, general and administrative expenses	107,436	100,538	—	207,974	107,038	96,833	—	203,871
Research and development expenses	—	23,524	—	23,524	—	18,876	—	18,876
Depreciation and amortization	99,857	215,626	(6,035)	309,448	104,477	224,078	(3,758)	324,797
Total costs and expenses	486,152	825,886	(245,099)	1,066,939	479,252	844,811	(239,655)	1,084,408
Operating income (loss)	(5,405)	266,821	(1,245)	260,171	(23,560)	319,032	(6,139)	289,333
Other Income (Expense):								
Interest income	—	7,474	(47)	7,427	—	3,507	(116)	3,391
Interest expense, net of amounts capitalized	(47)	(127,626)	47	(127,626)	(116)	(129,559)	116	(129,559)
Loss from partial redemption of debt	—	—	—	—	—	(5,044)	—	(5,044)
Gains (losses) and impairment on marketable investment securities, net	—	5,300	—	5,300	—	(11,384)	—	(11,384)
Equity in earnings of unconsolidated affiliate	—	6,758	—	6,758	—	4,943	—	4,943
Retained interest in earnings (loss) of Hughes Retail Group	—	(2,369)	2,369	—	—	(10,280)	10,280	—
Other, net	—	5,365	—	5,365	—	921	—	921
Total other income (expense), net	(47)	(105,098)	2,369	(102,776)	(116)	(146,896)	10,280	(136,732)
Income (loss) before income taxes	(5,452)	161,723	1,124	157,395	(23,676)	172,136	4,141	152,601
Income tax benefit (provision)	2,157	(59,434)	—	(57,277)	9,376	(67,896)	—	(58,520)
Net income (loss)	(3,295)	102,289	1,124	100,118	(14,300)	104,240	4,141	94,081
Less: Net income attributable to noncontrolling interests	—	946	—	946	—	1,006	—	1,006
Net income (loss) attributable to HSS	$ (3,295)	$ 101,343	$ 1,124	$ 99,172	$ (14,300)	$ 103,234	$ 4,141	$ 93,075

CONDENSED ATTRIBUTED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Attributed For the Nine Months Ended September 30, 2016				Attributed For the Nine Months Ended September 30, 2015			
	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)	$ (3,295)	$ 102,289	$ 1,124	$ 100,118	$ (14,300)	$ 104,240	$ 4,141	$ 94,081
Adjustments to reconcile net income (loss) to net cash flows from operating activities:								
Depreciation and amortization	99,857	215,626	(6,035)	309,448	104,477	224,078	(3,758)	324,797
Equity in earnings of unconsolidated affiliate	—	(6,758)	—	(6,758)	—	(4,943)	—	(4,943)
Retained interest in loss (earnings) of Hughes Retail Group	—	2,369	(2,369)	—	—	10,280	(10,280)	—
Amortization of debt issuance costs	—	4,793	—	4,793	—	4,533	—	4,533
Loss from partial redemption of debt	—	—	—	—	—	5,044	—	5,044
Losses (gains) on marketable investment securities	—	(5,300)	—	(5,300)	—	11,384	—	11,384
Stock-based compensation	—	3,696	—	3,696	—	3,893	—	3,893
Deferred tax provision (benefit)	(14,242)	68,973	—	54,731	(19,463)	75,060	—	55,597
Dividends received from unconsolidated entity	—	10,000	—	10,000	—	—	—	—
Proceeds from sale of trading securities	—	7,140	—	7,140	—	380	—	380
Changes in current assets and current liabilities, net	16,889	(60,032)	(234)	(43,377)	8,974	(57,856)	(169)	(49,051)
Changes in noncurrent assets and noncurrent liabilities, net	6,493	1,216	(109)	7,600	2,222	2,357	44	4,623
Other, net	—	4,725	—	4,725	—	(3,530)	—	(3,530)
Net cash flows from operating activities	105,702	348,737	(7,623)	446,816	81,910	374,920	(10,022)	446,808
Cash Flows from Investing Activities:								
Purchases of marketable investment securities	—	(396,730)	—	(396,730)	—	(132,741)	—	(132,741)
Sales and maturities of marketable investment securities	—	265,680	—	265,680	—	197,899	—	197,899
Purchases of property and equipment	(73,593)	(246,033)	7,623	(312,003)	(92,949)	(209,420)	10,022	(292,347)
Expenditures for externally marketed software	—	(17,991)	—	(17,991)	—	(16,905)	—	(16,905)
Investment in unconsolidated entity	—	(1,636)	—	(1,636)	—	—	—	—
Change in restricted cash and cash equivalents	—	7,614	—	7,614	—	(313)	—	(313)
Payment for EchoStar XXI launch services	—	(11,875)	—	(11,875)	—	—	—	—
Inter-group advances	(1,711)	30,398	(28,687)	—	—	(11,039)	11,039	—
Other, net	—	—	—	—	—	(9)	—	(9)
Net cash flows from investing activities	(75,304)	(370,573)	(21,064)	(466,941)	(92,949)	(172,528)	21,061	(244,416)
Cash Flows from Financing Activities:								
Proceeds from issuance of long-term debt	—	1,500,000	—	1,500,000	—	—	—	—
Payments of debt issuance costs	—	(6,275)	—	(6,275)	—	—	—	—
Repayment of 6 1/2% Senior Secured Notes Due 2019 and related premium	—	—	—	—	—	(113,300)	—	(113,300)
Repayment of other debt and capital lease obligations	—	(24,052)	—	(24,052)	—	(31,578)	—	(31,578)
Advances from affiliates	—	5,481	—	5,481	—	3,699	—	3,699
Inter-group advances	(30,398)	1,711	28,687	—	11,039	—	(11,039)	—
Capital contributions from EchoStar	—	11,875	—	11,875	—	—	—	—
Other, net	—	(2,967)	—	(2,967)	—	(1,688)	—	(1,688)
Net cash flows from financing activities	(30,398)	1,485,773	28,687	1,484,062	11,039	(142,867)	(11,039)	(142,867)
Effect of exchange rates on cash and cash equivalents	—	660	—	660	—	(6,980)	—	(6,980)
Net increase (decrease) in cash and cash equivalents	—	1,464,597	—	1,464,597	—	52,545	—	52,545
Cash and cash equivalents, beginning of period	—	382,990	—	382,990	—	225,557	—	225,557
Cash and cash equivalents, end of period	$ —	$ 1,847,587	$ —	$ 1,847,587	$ —	$ 278,102	$ —	$ 278,102

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 in the United States, 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. 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.

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 in the United States, 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

The 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 the Hughes Retail Group cost of sales is based on the 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. The 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.

Note 3. Property and Equipment

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

	Depreciable Life (In Years)	As of September 30, 2016	As of December 31, 2015
		(In thousands)	
Customer rental equipment	2-4	$ 657,680	$ 584,086
Accumulated depreciation		(509,382)	(421,589)
Property and equipment, net		$ 148,298	$ 162,497

Depreciation expense associated with the Hughes Retail Group property and equipment, net of retirements, was $29.1 million and $30.5 million for the three months ended September 30, 2016 and 2015, respectively, and $87.8 million and $89.8 million for the nine months ended September 30, 2016 and 2015, respectively.

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 September 30, 2016			As of December 31, 2015		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
	(In thousands)					
Customer relationships	$ 145,100	$ (138,276)	$ 6,824	$ 145,100	$ (129,660)	$ 15,440
Technology-based	23,500	(20,889)	2,611	23,500	(17,951)	5,549
Trademark portfolio	13,620	(3,632)	9,988	13,620	(3,121)	10,499
Total other intangible assets	$ 182,220	$ (162,797)	$ 19,423	$ 182,220	$ (150,732)	$ 31,488

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 $4.1 million and $4.9 million for the three months ended September 30, 2016 and 2015, respectively, and $12.1 million and $14.7 million for the nine months ended September 30, 2016 and 2015, 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.

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. The 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.

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

	As of	
	September 30, 2016	December 31, 2015
	(In thousands)	
Attributed paid-in-capital	$ 456,122	$ 456,122
Attributed accumulated earnings (deficit):		
Periods prior to March 1, 2014	33,395	33,395
Periods beginning March 1, 2014	(47,114)	(43,819)
Total	(13,719)	(10,424)
Total equity/ attributed net assets	$ 442,403	$ 445,698