
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014.

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 333-31929

DISH DBS Corporation

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-1328967

(I.R.S. Employer Identification No.)

**9601 South Meridian Boulevard
Englewood, Colorado**

(Address of principal executive offices)

80112

(Zip code)

(303) 723-1000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer **£**

Accelerated filer **£**

Non-accelerated filer **T**

Smaller reporting company **£**

(Do not check if a smaller reporting company)

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

As of August 1, 2014, the registrant's outstanding common stock consisted of 1,015 shares of common stock, \$0.01 par value.

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

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PART I — FINANCIAL INFORMATION

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

Competition and Economic Risks Affecting our Business

- We face intense and increasing competition from satellite television providers, cable companies and telecommunications companies, especially as the pay-TV industry has matured, which may require us to increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn.
- Competition from digital media companies that provide or facilitate the delivery of video content via the Internet may reduce our gross new subscriber activations and may cause our subscribers to purchase fewer services from us or to cancel our services altogether, resulting in less revenue to us.
- Sustained economic weakness, including continued high unemployment and reduced consumer spending, may adversely affect our ability to grow or maintain our business.
- Our competitors may be able to leverage their relationships with programmers to reduce their programming costs and offer exclusive content that will place them at a competitive advantage to us.

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

Operational and Service Delivery Risks Affecting our Business

- If we do not continue improving our operational performance and customer satisfaction, our gross new subscriber activations may decrease and our subscriber churn may increase.
- If our gross new subscriber activations decrease, or if our subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.
- Programming expenses are increasing and could adversely affect our future financial condition and results of operations.
- We depend on others to provide the programming that we offer to our subscribers and, if we lose access to this programming, our gross new subscriber activations may decline and our subscriber churn may increase.
- We may not be able to obtain necessary retransmission consent agreements at acceptable rates, or at all, from local network stations.
- We may be required to make substantial additional investments to maintain competitive programming offerings.
- Any failure or inadequacy of our information technology infrastructure could disrupt or harm our business.

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- We currently depend on EchoStar Corporation and its subsidiaries, or EchoStar, to design, develop and manufacture substantially all of our new set-top boxes and certain related components, to provide a majority of our transponder capacity, and to provide digital broadcast operations and other services to us. Our business would be adversely affected if EchoStar ceases to provide these products and services to us and we are unable to obtain suitable replacement products and services from third parties.
- We operate in an extremely competitive environment and our success may depend in part on our timely introduction and implementation of, and effective investment in, new competitive products and services, the failure of which could negatively impact our business.
- Technology in our industry changes rapidly and our inability to offer new subscribers and upgrade existing subscribers with more advanced equipment could cause our products and services to become obsolete.
- We rely on a single vendor or a limited number of vendors to provide certain key products or services to us such as information technology support, billing systems, and security access devices, and the inability of these key vendors to meet our needs could have a material adverse effect on our business.
- Our primary supplier of new set-top boxes, EchoStar, relies on a few suppliers and in some cases a single supplier, for many components of our new set-top boxes, and any reduction or interruption in supplies or significant increase in the price of supplies could have a negative impact on our business.
- Our programming signals are subject to theft, and we are vulnerable to other forms of fraud that could require us to make significant expenditures to remedy.
- We depend on third parties to solicit orders for our services that represent a significant percentage of our total gross new subscriber activations.
- We have limited satellite capacity and failures or reduced capacity could adversely affect our business.
- Our satellites are subject to construction, launch, operational and environmental risks that could limit our ability to utilize these satellites.
- We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and could face significant impairment charges if one of our satellites fails.
- We may have potential conflicts of interest with EchoStar due to DISH Network's common ownership and management.
- We rely on key personnel and the loss of their services may negatively affect our businesses.

Acquisition and Capital Structure Risks Affecting our Business

- Our parent, DISH Network, made a substantial investment to acquire certain AWS-4 wireless spectrum licenses and other assets from DBSD North America, Inc. ("DBSD North America") and TerreStar Networks, Inc. ("TerreStar"), to acquire certain 700 MHz wireless spectrum licenses and to acquire certain H Block wireless spectrum licenses. DISH Network will need to make significant additional investments or partner with others to commercialize these licenses and assets.
- To the extent that our parent, DISH Network, commercializes its wireless spectrum licenses, it will face certain risks entering and competing in the wireless services industry and operating a wireless services business.
- We may pursue acquisitions and other strategic transactions to complement or expand our business that may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.

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- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our business and to finance acquisitions and other strategic transactions.
- We have substantial debt outstanding and may incur additional debt.
- Our parent, DISH Network, is controlled by one principal stockholder who is also our Chairman.

Legal and Regulatory Risks Affecting our Business

- Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others.
- We are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business, particularly lawsuits regarding intellectual property.
- Our ability to distribute video content via the Internet involves regulatory risk.
- Changes in the Cable Act of 1992 (“Cable Act”), and/or the rules of the Federal Communications Commission (“FCC”) that implement the Cable Act, may limit our ability to access programming from cable-affiliated programmers at non-discriminatory rates.
- The injunction against our retransmission of distant networks, which is currently waived, may be reinstated.
- We are subject to significant regulatory oversight, and changes in applicable regulatory requirements, including any adoption or modification of laws or regulations relating to the Internet, could adversely affect our business.
- Our business depends on FCC licenses that can expire or be revoked or modified and applications for FCC licenses that may not be granted.
- We are subject to digital high-definition (“HD”) “carry-one, carry-all” requirements that cause capacity constraints.
- There can be no assurance that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.
- We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or SEC.

Other factors that could cause or contribute to such differences include, but are not limited to, those discussed under the caption “Risk Factors” in Part II, Item 1A of our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, and in Part I, Item 1A of our most recent Annual Report on Form 10-K (the “10-K”) filed with the SEC, those discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein and in the 10-K and those discussed in other documents we file with the SEC. All cautionary statements made or referred to herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described or referred to herein and should not place undue reliance on any forward-looking statements. The forward-looking statements speak only as of the date made, and we expressly disclaim any obligation to update these forward-looking statements.

Unless otherwise required by the context, in this report, the words “DISH DBS,” the “Company,” “we,” “our” and “us” refer to DISH DBS Corporation and its subsidiaries, “DISH Network” refers to DISH Network Corporation, our parent company, and its subsidiaries, including us, and “EchoStar” refers to EchoStar Corporation and its subsidiaries.

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DISH DBS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)
(Unaudited)

	As of	
	June 30, 2014	December 31, 2013
Assets		
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 4,007,223	\$ 4,294,475
Marketable investment securities	4,081,026	4,117,326
Trade accounts receivable - other, net of allowance for doubtful accounts of \$17,085 and \$15,981, respectively	904,860	859,986
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	18,823	52,602
Inventory	528,249	512,646
Deferred tax assets	65,399	65,457
Other current assets	170,571	143,564
Total current assets	9,776,151	10,046,056

Noncurrent Assets:

Restricted cash and marketable investment securities	80,684	82,780
Property and equipment, net	2,518,733	2,979,323
FCC authorizations	635,794	635,794
Other noncurrent assets, net (Note 4)	595,956	239,556
Total noncurrent assets	3,831,167	3,937,453
Total assets	\$ 13,607,318	\$ 13,983,509

Liabilities and Stockholder's Equity (Deficit)**Current Liabilities:**

Trade accounts payable - other	\$ 168,219	\$ 257,950
Trade accounts payable - EchoStar	302,922	338,788
Deferred revenue and other	854,787	824,478
Accrued programming	1,494,479	1,238,610
Accrued interest	227,953	232,732
Other accrued expenses	456,741	457,775
Current portion of long-term debt and capital lease obligations	1,663,417	1,032,607
Total current liabilities	5,168,518	4,382,940

Long-Term Obligations, Net of Current Portion:

Long-term debt and capital lease obligations, net of current portion	11,777,218	12,577,410
Deferred tax liabilities	1,174,869	1,247,375
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	151,110	159,684
Total long-term obligations, net of current portion	13,103,197	13,984,469
Total liabilities	18,271,715	18,367,409

Commitments and Contingencies (Note 8)**Stockholder's Equity (Deficit):**

Common stock, \$.01 par value, 1,000,000 shares authorized, 1,015 shares issued and outstanding	—	—
Additional paid-in capital	1,272,737	1,300,101
Accumulated other comprehensive income (loss)	20,020	11,189
Accumulated earnings (deficit)	(5,967,134)	(5,697,772)
Total DISH DBS stockholder's equity (deficit)	(4,674,377)	(4,386,482)
Noncontrolling interest	9,980	2,582
Total stockholder's equity (deficit)	(4,664,397)	(4,383,900)
Total liabilities and stockholder's equity (deficit)	\$ 13,607,318	\$ 13,983,509

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

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DISH DBS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue:				
Subscriber-related revenue	\$ 3,555,953	\$ 3,412,136	\$ 7,029,161	\$ 6,722,588
Equipment sales and other revenue	26,057	24,047	47,507	48,568
Equipment sales, services and other revenue - EchoStar	16,555	8,739	32,107	10,024
Total revenue	3,598,565	3,444,922	7,108,775	6,781,180
Costs and Expenses (exclusive of depreciation shown separately below - Note 6):				
Subscriber-related expenses	2,042,504	1,893,046	4,058,177	3,780,639
Satellite and transmission expenses	178,660	133,829	326,787	254,803
Cost of sales - equipment, services and other	30,985	20,720	56,211	40,716
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	62,051	60,650	117,394	130,714
Other subscriber acquisition costs	234,242	219,816	462,390	465,647
Subscriber acquisition advertising	126,164	115,029	251,037	228,852
Total subscriber acquisition costs	422,457	395,495	830,821	825,213
General and administrative expenses	178,381	172,506	357,965	330,874
Depreciation and amortization (Note 6)	248,382	228,165	473,348	433,661
Total costs and expenses	3,101,369	2,843,761	6,103,309	5,665,906

Operating income (loss)	497,196	601,161	1,005,466	1,115,274
Other Income (Expense):				
Interest income	10,102	9,742	18,864	16,950
Interest expense, net of amounts capitalized	(212,177)	(247,461)	(424,256)	(443,227)
Other, net	405	65	745	193
Total other income (expense)	(201,670)	(237,654)	(404,647)	(426,084)
Income (loss) before income taxes	295,526	363,507	600,819	689,190
Income tax (provision) benefit, net	(109,532)	(129,625)	(225,414)	(249,077)
Net income (loss)	185,994	233,882	375,405	440,113
Less: Net income (loss) attributable to noncontrolling interest	(4,492)	—	(5,233)	—
Net income (loss) attributable to DISH DBS	\$ 190,486	\$ 233,882	\$ 380,638	\$ 440,113
Comprehensive Income (Loss):				
Net income (loss)	\$ 185,994	\$ 233,882	\$ 375,405	\$ 440,113
<i>Other comprehensive income (loss):</i>				
Unrealized holding gains (losses) on available-for-sale securities	(5,756)	(7,612)	14,195	(5,002)
Deferred income tax (expense) benefit, net	2,163	1,657	(5,364)	516
Total other comprehensive income (loss), net of tax	(3,593)	(5,955)	8,831	(4,486)
Comprehensive income (loss)	182,401	227,927	384,236	435,627
Less: Comprehensive income (loss) attributable to noncontrolling interest	(4,492)	—	(5,233)	—
Comprehensive income (loss) attributable to DISH DBS	\$ 186,893	\$ 227,927	\$ 389,469	\$ 435,627

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

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DISH DBS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2014	2013
Cash Flows From Operating Activities:		
Net income (loss)	\$ 375,405	\$ 440,113
<i>Adjustments to reconcile net income (loss) to net cash flows from operating activities:</i>		
Depreciation and amortization	473,348	433,661
Non-cash, stock-based compensation	20,517	14,776
Deferred tax expense (benefit)	(46,597)	12,922
Other, net	(9,788)	(34,861)
Changes in advances to affiliates	—	(355,447)
Changes in current assets and current liabilities, net	24,404	82,783
Net cash flows from operating activities	837,289	593,947
Cash Flows From Investing Activities:		
(Purchases) Sales and maturities of marketable investment securities, net	50,495	(1,811,167)
Purchases of property and equipment	(415,952)	(449,823)
Change in restricted cash and marketable investment securities	2,096	43,081
Other, net	(8,399)	5,632
Net cash flows from investing activities	(371,760)	(2,212,277)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	—	2,300,000
Proceeds from issuance of restricted debt	—	2,600,000
Redemption of restricted debt	—	(2,600,000)
Funding of restricted debt escrow	—	(2,596,750)
Release of restricted debt escrow	—	2,596,771
Repurchases of long-term debt	(101,208)	—
Debt issuance costs	—	(11,427)
Dividend to DISH Orbital Corporation	(650,000)	—
Repayment of long-term debt and capital lease obligations	(14,846)	(19,131)
Other	13,273	9,227
Net cash flows from financing activities	(752,781)	2,278,690
Net increase (decrease) in cash and cash equivalents	(287,252)	660,360
Cash and cash equivalents, beginning of period	4,294,475	3,424,387
Cash and cash equivalents, end of period	\$ 4,007,223	\$ 4,084,747

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DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Business Activities

Principal Business

DISH DBS Corporation (which together with its subsidiaries is referred to as “DISH DBS,” the “Company,” “we,” “us” and/or “our” unless otherwise required by the context) is a holding company and an indirect, wholly-owned subsidiary of DISH Network Corporation (“DISH Network”). DISH DBS was formed under Colorado law in January 1996 and its common stock is held by DISH Orbital Corporation (“DOC”), a direct subsidiary of DISH Network. We operate the DISH® branded pay-TV service (“DISH”), which had 14.053 million subscribers in the United States as of June 30, 2014. The DISH branded pay-TV service consists of, among other things, Federal Communications Commission (“FCC”) licenses authorizing us to use direct broadcast satellite (“DBS”) and Fixed Satellite Service (“FSS”) spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, a leased fiber network, in-home service and call center operations, and certain other assets utilized in our operations.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and variable interest entities where we have been determined to be the primary beneficiary. Minority interests are recorded as noncontrolling interest. Non-majority owned investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of an investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

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DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

Fair Value Measurements

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

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets, including U.S. treasury notes;

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

As of June 30, 2014 and December 31, 2013, the carrying value for cash and cash equivalents, trade accounts receivable (net of allowance for doubtful accounts) and current liabilities (excluding the “Current portion of long-term debt and capital lease obligations”) is equal to or approximates fair value due to their short-term nature or proximity to current market rates. See Note 4 for the fair value of our marketable investment securities.

Fair values for our publicly traded debt securities are based on quoted market prices, when available. The fair values of private debt are estimated based on an analysis in which we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding, among other things, credit spreads, and the impact of these factors on the value of the debt securities. See Note 7 for the fair value of our long-term debt.

New Accounting Pronouncements

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

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DISH DBS CORPORATION **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued** (Unaudited)

3. Supplemental Data — Statements of Cash Flows

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

	For the Six Months Ended June 30,	
	2014	2013
(In thousands)		
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 422,338	\$ 403,925
Cash received for interest	17,588	16,516
Cash paid for income taxes	4,321	717
Cash paid for income taxes to DISH Network	252,913	228,660
Transfer of regulatory authorization from EchoStar	—	23,148
Unsettled trades related to repurchases of long-term debt	12,673	—
Satellite and Tracking Stock Transaction with EchoStar:		
Transfer of property and equipment, net	432,080	—
Investment in EchoStar and HSSC preferred tracking stock - cost method	316,204	—
Transfer of liabilities and other	44,540	—
Capital distribution to EchoStar, net of deferred taxes of \$31,274	51,466	—

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

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

	As of	
	June 30, 2014	December 31, 2013
(In thousands)		
Marketable investment securities:		
Current marketable investment securities - VRDNs	\$ 91,053	\$ 105,854
Current marketable investment securities - other	3,989,973	4,011,472
<i>Total current marketable investment securities</i>	4,081,026	4,117,326
Restricted marketable investment securities (1)	67,835	63,902
Total marketable investment securities	4,148,861	4,181,228
Restricted cash and cash equivalents (1)	12,849	18,878
Other investment securities:		
Investment in EchoStar preferred tracking stock - cost method (2)	228,795	—
Investment in HSSC preferred tracking stock - cost method (2)	87,409	—
Other investment securities - cost method (2)	17,621	5,396
Total marketable investment securities and restricted cash and cash equivalents	\$ 4,495,535	\$ 4,205,502

- (1) Restricted marketable investment securities and restricted cash and cash equivalents are included in “Restricted cash and marketable investment securities” on our Condensed Consolidated Balance Sheets.
- (2) Other investment securities are included in “Other noncurrent assets, net” on our Condensed Consolidated Balance Sheets.

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DISH DBS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

Marketable Investment Securities

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

Current Marketable Investment Securities - VRDNs

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

Current Marketable Investment Securities — Other

Our current marketable investment securities portfolio includes investments in various debt and equity instruments including corporate and government bonds.

Restricted Cash and Marketable Investment Securities

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

Other Investment Securities

We have strategic investments in certain debt and equity securities that are included in “Other noncurrent assets, net” on our Condensed Consolidated Balance Sheets and accounted for using the cost, equity and/or fair value methods of accounting.

Our ability to realize value from our strategic investments in securities that are not publicly traded depends on the success of the issuers’ businesses and their ability to obtain sufficient capital, on acceptable terms or at all, and to execute their business plans. Because private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Investment in Tracking Stock

To improve our position in the growing consumer satellite broadband market, among other reasons, on February 20, 2014, we entered into agreements with EchoStar Corporation (“EchoStar”) to implement a transaction pursuant to which, among other things: (i) on March 1, 2014, we transferred to EchoStar and Hughes Satellite Systems Corporation (“HSSC”), a subsidiary of EchoStar, five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV (collectively the “Transferred Satellites”), including related in-orbit incentive obligations and cash interest payments of approximately \$59 million), and approximately \$11 million in cash in exchange for an aggregate of 6,290,499 shares of a series of preferred tracking stock issued by EchoStar and an aggregate of 81,128 shares of a series of preferred tracking stock issued by HSSC (collectively, the “Tracking Stock”); and (ii) beginning on March 1, 2014, we lease back certain satellite capacity on the Transferred Satellites (collectively, the “Satellite and Tracking Stock Transaction”). The Tracking Stock generally tracks the residential retail satellite broadband business of Hughes Network Systems, LLC (“HNS”), a wholly-owned subsidiary of HSSC, including without limitation the operations, assets and liabilities attributed to the Hughes residential retail satellite broadband business

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(collectively, the “Hughes Retail Group”). The shares of the Tracking Stock issued to us represent an aggregate 80% economic interest in the Hughes Retail Group.

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

influence over the Hughes Retail Group business, and currently there is no public market for the Tracking Stock. As such, the Tracking Stock is accounted for under the cost method of accounting.

On February 20, 2014, DISH Operating L.L.C. (“DOLLC”) and DISH Network L.L.C. (“DNLLC”), each indirect wholly-owned subsidiaries of us, entered into an Investor Rights Agreement with EchoStar and HSSC with respect to the Tracking Stock (the “Investor Rights Agreement”). The Investor Rights Agreement provides, among other things, certain information and consultation rights for us; certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfers of the Tracking Stock for one year, with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to EchoStar in connection with a change of control of DISH Network and a right to require EchoStar to repurchase the Tracking Stock in connection with a change of control of EchoStar, in each case subject to certain terms and conditions); certain registration rights; certain obligations to provide conversion and exchange rights of the Tracking Stock under certain circumstances; and certain protective covenants afforded to holders of the Tracking Stock. The Investor Rights Agreement generally will terminate with respect to our interest should we no longer hold any shares of the HSSC-issued Tracking Stock and any registrable securities under the Investor Rights Agreement.

Unrealized Gains (Losses) on Marketable Investment Securities

As of June 30, 2014 and December 31, 2013, we had accumulated net unrealized gains of \$30 million and \$15 million, respectively. These amounts, net of related tax effect, were \$20 million and \$11 million, respectively. All of these amounts are included in “Accumulated other comprehensive income (loss)” within “Total stockholder’s equity (deficit).” The components of our available-for-sale investments are summarized in the table below.

Marketable Investment Securities	As of June 30, 2014			As of December 31, 2013		
	Gains	Unrealized Losses	Net	Gains	Unrealized Losses	Net
(In thousands)						
Debt securities:						
VRDNs	\$ 91,053	\$ —	\$ —	\$ 105,854	\$ —	\$ —
Other (including restricted)	4,021,093	7,061	(967)	4,048,851	5,447	(3,355)
Equity securities:						
Other	36,715	23,478	—	26,523	13,286	—
Total	\$ 4,148,861	\$ 30,539	\$ (967)	\$ 4,181,228	\$ 18,733	\$ (3,355)

As of June 30, 2014, restricted and non-restricted marketable investment securities include debt securities of \$3.117 billion with contractual maturities within one year, \$970 million with contractual maturities extending longer than one year through and including five years and \$25 million with contractual maturities longer than ten years. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

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Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. As of June 30, 2014, the unrealized losses on our investments in debt securities primarily represent investments in corporate bonds. We have the ability to hold and do not intend to sell our investments in these debt securities before they recover or mature, and it is more likely than not that we will hold these investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

	As of			
	June 30, 2014		December 31, 2013	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
(In thousands)				
Debt Securities:				
Less than 12 months	\$ 1,578,036	\$ (877)	\$ 2,002,239	\$ (2,820)
12 months or more	214,539	(90)	38,043	(535)
Total	\$ 1,792,575	\$ (967)	\$ 2,040,282	\$ (3,355)

Fair Value Measurements

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

	As of							
	June 30, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
(In thousands)								
Cash Equivalents (including restricted)	\$ 3,796,147	\$ 2,834	\$ 3,793,313	\$ —	\$ 3,743,328	\$ 275,277	\$ 3,468,051	\$ —
Debt securities:								
VRDNs	\$ 91,053	\$ —	\$ 91,053	\$ —	\$ 105,854	\$ —	\$ 105,854	\$ —
Other (including restricted)	4,021,093	—	4,021,093	—	4,048,851	—	4,048,851	—
Equity securities	36,715	36,715	—	—	26,523	26,523	—	—

During the six months ended June 30, 2014, we had no transfers in or out of Level 1 and Level 2 fair value measurements.

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5. Inventory

Inventory consisted of the following:

	As of	
	June 30, 2014	December 31, 2013
(In thousands)		
Finished goods	\$ 271,853	\$ 299,975
Raw materials	160,333	102,563
Work-in-process	96,063	110,108
Total	\$ 528,249	\$ 512,646

6. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of	
		June 30, 2014	December 31, 2013
(In thousands)			
Equipment leased to customers	2-5	\$ 3,529,338	\$ 3,496,994
EchoStar I (1)	12	—	201,607
EchoStar VII (1)	15	—	177,000
EchoStar X (1)	15	—	177,192
EchoStar XI (1)	15	—	200,198
EchoStar XIV (1)	15	—	316,541
EchoStar XV	15	277,658	277,658
Satellites acquired under capital lease agreements	10-15	499,819	499,819
Furniture, fixtures, equipment and other	1-10	672,900	600,439
Buildings and improvements	1-40	83,148	80,439
Land	—	5,504	5,504
Construction in progress	—	23,229	39,043
Total property and equipment		5,091,596	6,072,434
Accumulated depreciation (1)		(2,572,863)	(3,093,111)
Property and equipment, net		\$ 2,518,733	\$ 2,979,323

(1) The decrease in property and equipment and accumulated depreciation resulted from the Satellite and Tracking Stock Transaction. See Note 4 and Note 10 for further discussion.

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Depreciation and amortization expense consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
(In thousands)				
Equipment leased to customers	\$ 213,653	\$ 186,815	\$ 399,376	\$ 349,933
Satellites	15,261	27,170	38,462	54,341
Buildings, furniture, fixtures, equipment and other	19,468	14,180	35,510	29,387
Total depreciation and amortization	\$ 248,382	\$ 228,165	\$ 473,348	\$ 433,661

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

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

As of June 30, 2014, our pay-TV satellite fleet consisted of the following:

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

- (1) See Note 10 for further discussion of our Related Party Transactions with EchoStar.
- (2) We lease a portion of the capacity on these satellites.
- (3) We generally have the option to renew each lease on a year-to-year basis through the end of the respective satellite's useful life.

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

7. Long-Term Debt

Fair Value of our Long-Term Debt

The following table summarizes the carrying and fair values of our debt facilities as of June 30, 2014 and December 31, 2013:

	As of			
	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In thousands)				
6 5/8% Senior Notes due 2014 (1)	\$ 901,986	\$ 915,335	\$ 1,000,000	\$ 1,040,200
7 3/4% Senior Notes due 2015 (2)	734,133	777,726	750,000	813,750
7 1/8% Senior Notes due 2016	1,500,000	1,633,125	1,500,000	1,657,500
4 5/8% Senior Notes due 2017	900,000	961,605	900,000	946,962
4 1/4% Senior Notes due 2018	1,200,000	1,249,200	1,200,000	1,221,792
7 7/8% Senior Notes due 2019	1,400,000	1,666,000	1,400,000	1,603,000
5 1/8% Senior Notes due 2020	1,100,000	1,159,389	1,100,000	1,104,950
6 3/4% Senior Notes due 2021	2,000,000	2,290,000	2,000,000	2,122,500
5 7/8% Senior Notes due 2022	2,000,000	2,172,500	2,000,000	1,997,500
5 % Senior Notes due 2023	1,500,000	1,534,125	1,500,000	1,458,090
Mortgages and other notes payable (3)	15,656	15,656	59,313	59,313
Subtotal	13,251,775	\$ 14,374,661	13,409,313	\$ 14,025,557
Unamortized discounts, net	(17,177)		(19,198)	
Capital lease obligations (4)	206,037	NA	219,902	NA
Total long-term debt and capital lease obligations (including current portion)	\$ 13,440,635		\$ 13,610,017	

- (1) During the three months ended June 30, 2014, we repurchased \$98 million of our 6 5/8% Senior Notes due 2014. The remaining balance of \$902 million matures on October 1, 2014 and is included in “Current portion of long-term debt and capital lease obligations” on our Condensed Consolidated Balance Sheets as of June 30, 2014.
- (2) During the three months ended June 30, 2014, we repurchased \$16 million of our 7 3/4% Senior Notes due 2015. The remaining balance of \$734 million matures on May 31, 2015 and has been reclassified to “Current portion of long-term debt and capital lease obligations” on our Condensed Consolidated Balance Sheets as of June 30, 2014.
- (3) On February 20, 2014, we entered into the Satellite and Tracking Stock Transaction, which resulted in a decrease in “Mortgages and other notes payable” of \$44 million related to the in-orbit incentive obligations associated with the Transferred Satellites. See Note 4 and Note 10 for further discussion.
- (4) Disclosure regarding fair value of capital leases is not required.

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

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8. Commitments and Contingencies

Commitments

Wireless Spectrum

DISH Network has made substantial investments to acquire certain wireless spectrum licenses in recent years.

700 MHz Licenses. In 2008, DISH Network paid \$712 million to acquire certain 700 MHz E Block (“700 MHz”) wireless spectrum licenses, which were granted to DISH Network by the FCC in February 2009. At the time they were granted, these licenses were subject to certain interim and final build-out requirements. By June 2013, DISH Network was required to provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the “700 MHz Interim Build-Out Requirement”). By June 2019, DISH Network was required to provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the “700 MHz Final Build-Out Requirement”). As discussed below, these requirements have since been modified by the FCC.

On September 9, 2013, DISH Network filed a letter with the FCC in support of a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the “Interoperability Solution”). On October 29, 2013, the FCC issued an order approving the Interoperability Solution (the “Interoperability Solution Order”), which requires DISH Network to reduce power emissions on its 700 MHz licenses. As part of the Interoperability Solution Order, the FCC, among other things, approved DISH Network’s request to modify the 700 MHz Interim Build-Out Requirement so that by March 2017 (rather than the previous deadline of June 2013), DISH Network must provide signal coverage and offer service to at least 40% of its total E Block population (the “Modified 700 MHz Interim Build-Out Requirement”). The FCC also approved DISH Network’s request to modify the 700 MHz Final Build-Out Requirement so that by March 2021 (rather than the previous deadline of June 2019), DISH Network must provide signal coverage and offer service to at least 70% of the population in each of its E Block license areas (the “Modified 700 MHz Final Build-Out Requirement”). These requirements replaced the previous build-out requirements associated with DISH Network’s 700 MHz licenses. While the modifications to DISH Network’s 700 MHz licenses would provide DISH Network additional time to complete the build-out requirements, the reduction in power emissions could have an adverse impact on DISH Network’s ability to fully utilize its 700 MHz licenses. If DISH Network fails to meet the Modified 700 MHz Interim Build-Out Requirement, the Modified 700 MHz Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020, and DISH Network could face the reduction of license area(s). If DISH Network fails to meet the Modified 700 MHz Final Build-Out Requirement, DISH Network’s authorization may terminate for the geographic portion of each license in which DISH Network is not providing service.

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

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

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satellite functionality. On February 15, 2013, the FCC issued an order, which became effective on March 7, 2013, modifying DISH Network’s licenses to expand its terrestrial operating authority with AWS-4 authority (“AWS-4”). That order imposed certain limitations on the use of a portion of this spectrum,

including interference protections for other spectrum users and power and emission limits that DISH Network presently believes could render 5 MHz of its uplink spectrum (2000-2005 MHz) effectively unusable for terrestrial services and limit its ability to fully utilize the remaining 15 MHz of its uplink spectrum (2005-2020 MHz) for terrestrial services. These limitations could, among other things, impact the ongoing development of technical standards associated with DISH Network's wireless business, and may have a material adverse effect on DISH Network's ability to commercialize its AWS-4 licenses. That order also mandated certain interim and final build-out requirements for the licenses. By March 2017, DISH Network must provide terrestrial signal coverage and offer terrestrial service to at least 40% of the aggregate population represented by all of the areas covered by the licenses (the "AWS-4 Interim Build-Out Requirement"). By March 2020, DISH Network was required to provide terrestrial signal coverage and offer terrestrial service to at least 70% of the population in each area covered by an individual license (the "AWS-4 Final Build-Out Requirement").

On December 20, 2013, the FCC issued a further order that, among other things, extended the AWS-4 Final Build-Out Requirement by one year to March 2021 (the "Modified AWS-4 Final Build-Out Requirement"). If DISH Network fails to meet the AWS-4 Interim Build-Out Requirement, the Modified AWS-4 Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020. If DISH Network fails to meet the Modified AWS-4 Final Build-Out Requirement, DISH Network's terrestrial authorization for each license area in which it fails to meet the requirement may terminate. The FCC's December 20, 2013 order also conditionally waived certain FCC rules for DISH Network's AWS-4 spectrum licenses to allow DISH Network to repurpose all 20 MHz of its uplink spectrum (2000-2020 MHz) for downlink (the "AWS-4 Downlink Waiver"). If DISH Network fails to notify the FCC that it intends to use its uplink spectrum for downlink by June 20, 2016, the AWS-4 Downlink Waiver will terminate, and the Modified AWS-4 Final Build-Out Requirement will revert back to the AWS-4 Final Build-Out Requirement.

H Block Licenses. The auction of wireless spectrum known as the H Block commenced on January 22, 2014 and concluded on February 27, 2014. DISH Network was the winning bidder for all 176 H Block wireless spectrum licenses ("H Block") in the H Block auction with an aggregate bid of \$1.564 billion. On December 17, 2013, DISH Network paid approximately \$328 million to the FCC as a deposit for the H Block auction. DISH Network paid the remaining balance of its winning bid of approximately \$1.236 billion for the H Block spectrum licenses on March 28, 2014. On April 29, 2014, the FCC issued an order granting DISH Network's application to acquire these H Block spectrum licenses. As a result, during May 2014, DISH Network also paid approximately \$13 million to UTAM, Inc. for clearance costs associated with the lower H Block spectrum and approximately \$95 million to Sprint for clearance costs associated with the upper H Block spectrum in connection with the issuance of the H Block licenses. The H Block spectrum licenses are subject to certain interim and final build-out requirements. By April 2018, DISH Network must provide reliable signal coverage and offer service to at least 40% of the population in each area covered by an individual H Block spectrum license (the "H Block Interim Build-Out Requirement"). By April 2024, DISH Network must provide reliable signal coverage and offer service to at least 75% of the population in each area covered by an individual H Block spectrum license (the "H Block Final Build-Out Requirement"). If DISH Network fails to meet the H Block Interim Build-Out Requirement, the H Block license term and the H Block Final Build-Out Requirement may be accelerated by two years (from April 2024 to April 2022) for each H Block license area in which it fails to meet the requirement. If DISH Network fails to meet the H Block Final Build-Out Requirement, its authorization for each H Block spectrum license area in which it fails to meet the requirement may terminate. The FCC has adopted rules for the H Block spectrum band that is adjacent to DISH Network's AWS-4 spectrum licenses. Depending on the outcome of the standard-setting process for the H Block and DISH Network's ultimate decision regarding the AWS-4 Downlink Waiver, the rules that the FCC adopted for the H Block could further impact 15 MHz of DISH Network's AWS-4 uplink spectrum (2005-2020 MHz), which may have a material adverse effect on DISH Network's ability to commercialize the AWS-4 licenses.

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DISH Network may also determine that additional spectrum licenses may be required to commercialize its wireless business and to compete with other wireless service providers. DISH Network will need to make significant additional investments or partner with others to, among other things, finance the commercialization and build-out requirements of its licenses and any additional acquired licenses and DISH Network's integration efforts, including compliance with regulations applicable to acquired licenses. Depending on the nature and scope of such commercialization, build-out, and integration efforts, any such investment or partnership could vary significantly. We have made cash distributions to DISH Network to partially finance the acquisition of these licenses and may make additional cash distributions to, among other things, finance in whole or in part the acquisition of additional licenses and the commercialization and build-out requirements of acquired licenses and DISH Network's integration efforts, including compliance with regulations applicable to acquired licenses. On March 28, 2014, we paid a dividend of \$650 million to DOC in connection with, among other things, the funding of certain payments by DISH Network related to its winning bid for all 176 wireless spectrum licenses in the H Block auction. There can be no assurance that DISH Network will be able to develop and implement a business model that will realize a return on these spectrum licenses or that DISH Network will be able to profitably deploy the assets represented by these spectrum licenses.

Guarantees

On January 1, 2008, DISH Network completed the distribution of its technology and set-top box business and certain infrastructure assets (the "Spin-off") into a separate publicly-traded company, EchoStar.

In connection with the Spin-off, we distributed certain satellite lease agreements to EchoStar and remained the guarantor under those capital leases for payments totaling approximately \$23 million over approximately the next eight months.

During the third quarter 2009, EchoStar entered into a new satellite transponder service agreement for Nimiq 5 through 2024. We sublease this capacity from EchoStar and DISH Network guarantees a certain portion of EchoStar's obligation under its satellite transponder service agreement through 2019. As of June 30, 2014, the remaining obligation of DISH Network's guarantee was \$343 million.

As of June 30, 2014, we have not recorded a liability on the balance sheet for any of these guarantees.

Contingencies

Separation Agreement

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

Litigation

We are involved in a number of legal proceedings (including those described below) concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages, and many of these proceedings seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a

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loss or an additional loss may have been incurred and to determine if accruals are appropriate. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of the possible loss or range of possible loss can be made.

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

California Institute of Technology

On October 1, 2013, the California Institute of Technology (“Caltech”) filed complaints against DISH Network and its wholly-owned subsidiaries DISH Network L.L.C. and dishNET Satellite Broadband L.L.C., as well as Hughes Communications, Inc. and Hughes Network Systems, LLC, which are wholly-owned subsidiaries of EchoStar, in the United States District Court for the Central District of California. The complaint alleges infringement of United States Patent Nos. 7,116,710 (the “710 patent”); 7,421,032 (the “032 patent”); 7,916,781 (the “781 patent”) and 8,284,833 (the “833 patent”), each of which is entitled “Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes.” Caltech alleges that encoding data as specified by the DVB-S2 standard infringes each of the asserted patents. In the operative Amended Complaint, served on March 6, 2014, Caltech claims that our Hopper set-top box, as well as the Hughes defendants’ satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard.

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

ClearPlay, Inc.

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

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

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

On January 17, 2014, CRFD Research, Inc. (“CRFD”) filed a complaint against us, our wholly-owned subsidiary DISH Network L.L.C., DISH Network, EchoStar, and its wholly-owned subsidiary EchoStar Technologies L.L.C., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 7,191,233 (the “233 patent”). The 233 patent is entitled “System for Automated, Mid-Session, User-Directed, Device-to-Device Session Transfer System,” and relates to transferring an ongoing software session from one device to another. CRFD alleges that our

Hopper and Joey set-top boxes infringe the 233 patent. On the same day, CRFD filed similar complaints against AT&T Inc.; Comcast Corp.; DirecTV; Time Warner Cable Inc.; Cox Communications, Inc.; Akamai Technologies, Inc.; Cablevision Systems Corp. and Limelight Networks, Inc. CRFD is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

Custom Media Technologies LLC

On August 15, 2013, Custom Media Technologies LLC (“Custom Media”) filed complaints against DISH Network; AT&T Inc.; Charter Communications, Inc.; Comcast Corp.; Cox Communications, Inc.; DirecTV; Time Warner Cable Inc. and Verizon Communications, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 6,269,275 (the “275 patent”). The 275 patent, which is entitled “Method and System for Customizing and Distributing Presentations for User Sites,” relates to the provision of customized presentations to viewers over a network, such as “a cable television network, an Internet or other computer network, a broadcast television network, and/or a satellite system.” Custom Media alleges that our DVR devices and DVR functionality infringe the 275 patent. Custom Media is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Pursuant to a stipulation between the parties, on November 6, 2013, the Court entered an order substituting DISH Network L.L.C., our wholly-owned subsidiary, as the defendant in DISH Network’s place.

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

Do Not Call Litigation

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

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DISH DBS CORPORATION **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued** (Unaudited)

retailers and from certain new independent third-party retailers, except under certain circumstances. We have also filed a motion for summary judgment, seeking dismissal of all claims, and the Court will hear oral arguments on the parties’ summary judgment motions on October 17, 2014.

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

Dragon Intellectual Property, LLC

On December 20, 2013, Dragon Intellectual Property, LLC (“Dragon IP”) filed complaints against our wholly-owned subsidiary DISH Network L.L.C., as well as Apple Inc.; AT&T, Inc.; Charter Communications, Inc.; Comcast Corp.; Cox Communications, Inc.; DirecTV; Sirius XM Radio Inc.; Time Warner Cable Inc. and Verizon Communications, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 5,930,444 (the “444 patent”), which is entitled “Simultaneous Recording and Playback Apparatus.” Dragon IP alleges that various of our DVR receivers infringe the 444 patent. Dragon IP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

ESPN

During 2008, our wholly-owned subsidiary DISH Network L.L.C. filed a lawsuit against ESPN, Inc.; ESPN Classic, Inc.; ABC Cable Networks Group; Soapnet L.L.C. and International Family Entertainment (collectively, “ESPN”) for breach of contract in New York State Supreme Court. Our complaint alleged that ESPN failed to provide us with certain HD feeds of the Disney Channel, ESPN News, Toon and ABC Family. In October 2011, the jury returned a verdict in favor of the defendants, which the New York State Supreme Court, Appellate Division, First Department (the “First Department”) affirmed on April 2, 2013. We sought leave to further appeal, which the New York Court of Appeals denied on August 27, 2013 on jurisdictional grounds. On September 19, 2013, we appealed the trial court’s final judgment to the First Department. On March 6, 2014, pursuant to a settlement and release agreement between the parties, we dismissed our appeal.

ESPN had asserted a counterclaim alleging that we owed approximately \$35 million under the applicable affiliation agreements. On April 15, 2009, the New York State Supreme Court granted, in part, ESPN’s motion for summary judgment on the counterclaim, finding that we were liable for some of the amount alleged to be owing but that the actual amount owing was disputed. On December 29, 2010, the First Department affirmed the partial grant of ESPN’s motion for summary judgment on the counterclaim. After the partial grant of ESPN’s motion for summary judgment, ESPN sought an additional \$30 million under

the applicable affiliation agreements. On March 15, 2010, the New York State Supreme Court ruled that we owed the full amount of approximately \$66 million under the applicable affiliation agreements. As of December 31, 2010, we had \$42 million recorded as a “Litigation accrual” on our Consolidated Balance Sheets.

On June 21, 2011, the First Department affirmed the New York State Supreme Court’s ruling that we owed approximately \$66 million under the applicable affiliation agreements and, on October 18, 2011, denied our motion for leave to appeal that decision to New York’s highest court, the New York Court of Appeals. We sought leave to appeal directly to the New York Court of Appeals and, on January 10, 2012, the New York Court of Appeals dismissed our motion for leave on the ground that the ruling upon which we appealed did not fully resolve all claims in the action. As a result of the First Department’s June 2011 ruling, we recorded \$24 million of “Litigation Expense” on our Consolidated Statements of Operations and Comprehensive Income (Loss) during 2011. On October 11, 2012, the New York State Supreme Court awarded ESPN \$5 million in attorneys’ fees as the prevailing

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party on both our claim and ESPN’s counterclaim. As a result, we recorded \$5 million of “General and administrative expenses” and increased our “Litigation accrual” to a total of \$71 million related to this case as of December 31, 2012. During the first quarter 2013, we paid \$71 million to ESPN related to the counterclaim and attorneys’ fees and \$12 million for accrued interest. As a result of the parties’ settlement and release, no further appeals are possible, and this matter is now concluded.

Garnet Digital, LLC

On September 9, 2013, Garnet Digital, LLC (“Garnet Digital”) filed a complaint against DISH Network and our wholly-owned subsidiary DISH Network L.L.C., in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent No. 5,379,421 (the “421 patent”), which is entitled “Interactive Terminal for the Access of Remote Database Information.” The 421 patent relates to methods for accessing information from a remote computerized database and related devices. On the same day, Garnet Digital filed similar complaints in the same court against 15 other defendants, including AT&T Inc.; Comcast Corp.; DirecTV; TiVo, Inc. and Verizon Communications, Inc. Garnet Digital is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On July 25, 2014, Garnet Digital filed a motion to dismiss its claims against us and DISH Network with prejudice.

The Hopper Litigation

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

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

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

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

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On November 7, 2012, the California court denied the Fox plaintiffs’ motion for a preliminary injunction to enjoin the Hopper set-top box’s PrimeTime Anytime and AutoHop features, and the Fox plaintiffs appealed. On March 27, 2013, at the request of the parties, the Central District of California granted a stay of all proceedings in the action brought by the NBC plaintiffs, pending resolution of the appeal by the Fox plaintiffs. On July 24, 2013, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs’ motion for a preliminary injunction as to the PrimeTime Anytime and AutoHop features. On August 7, 2013, the Fox plaintiffs filed a petition for rehearing and rehearing en banc, which was denied on January 24, 2014. The

United States Supreme Court granted the Fox plaintiffs an extension until May 23, 2014 to file a petition for writ of certiorari, but they did not file. As a result, the stay of the NBC plaintiffs' action has been lifted. No trial date is currently set on the NBC claims.

In addition, on February 21, 2013, the Fox plaintiffs filed a second motion for preliminary injunction against: (i) us seeking to enjoin the Hopper Transfers feature in our second-generation Hopper set-top box, alleging breach of their retransmission consent agreement; and (ii) us and EchoStar Technologies seeking to enjoin the Sling placeshifting functionality in our second-generation Hopper set-top box, alleging copyright infringement and breach of their retransmission consent agreement. On September 23, 2013, the California court denied the Fox plaintiffs' motion. The Fox plaintiffs appealed, and on July 14, 2014, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs' motion for a preliminary injunction as to the Hopper Transfers feature and the Sling placeshifting functionality in our second-generation Hopper set-top box. The Fox claims are set for trial on January 13, 2015.

New York Actions. Both the ABC and CBS parties filed counterclaims in the New York action adding copyright claims against EchoStar Technologies, and the CBS parties have filed a counterclaim alleging that we fraudulently concealed the AutoHop feature when negotiating renewal of our CBS retransmission consent agreement. On November 23, 2012, the ABC plaintiffs filed a motion for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features. On September 18, 2013, the New York court denied that motion. The ABC plaintiffs appealed, and oral argument on the appeal was heard on February 20, 2014 before the United States Court of Appeals for the Second Circuit. Pursuant to a settlement between us and the ABC parties, on March 4, 2014, the ABC parties withdrew their appeal to the United States Court of Appeals for the Second Circuit, and, on March 6, 2014, we and the ABC parties dismissed without prejudice all of our respective claims pending in the United States District Court for the Southern District of New York. The CBS claims in the New York action are set to be trial-ready on April 17, 2015.

We intend to vigorously prosecute and defend our position in these cases. In the event that a court ultimately determines that we infringe the asserted copyrights, or are in breach of any of the retransmission consent agreements, we may be subject to substantial damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. In addition, as a result of this litigation, we may not be able to renew certain of our retransmission consent agreements and other programming agreements on favorable terms or at all. If we are unable to renew these agreements, there can be no assurance that we would be able to obtain substitute programming, or that such substitute programming would be comparable in quality or cost to our existing programming. Loss of access to existing programming could have a material adverse effect on our business, financial condition and results of operations, including, among other things, our gross new subscriber activations and subscriber churn rate. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

Joao Control & Monitoring Systems LLC

On April 23, 2014, Joao Control & Monitoring Systems, LLC ("Joao Control") filed a complaint against DISH Network in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 6,549,130 (the "130 patent"), which is entitled "Control Apparatus and Method for Vehicles and/or for Premises." Joao alleges that we infringe the 130 patent by making, using, providing and/or importing remotely-accessed DVRs. On the same day, Joao Control also filed similar actions against DirectTV; Verizon

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Communications, Inc.; Time Warner Cable Inc.; Cox Communications, Inc.; and Cablevision Systems Corporation, among others. Joao Control is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

LightSquared/Harbinger Capital Partners LLC (LightSquared Bankruptcy)

As previously disclosed in our public filings, L-Band Acquisition, LLC ("LBAC"), DISH Network's wholly-owned subsidiary, entered into a Plan Support Agreement (the "PSA") with certain senior secured lenders to LightSquared LP (the "LightSquared LP Lenders") on July 23, 2013, which contemplated the purchase by LBAC of substantially all of the assets of LightSquared LP and certain of its subsidiaries (the "LBAC Bid") that are debtors and debtors in possession in the LightSquared bankruptcy cases pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which cases are jointly administered under the caption *In re LightSquared Inc., et. al.*, Case No. 12 12080 (SCC).

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

On August 6, 2013, Harbinger Capital Partners LLC and other affiliates of Harbinger (collectively, "Harbinger"), a shareholder of LightSquared Inc., filed an adversary proceeding against DISH Network, LBAC, EchoStar, Charles W. Ergen (our Chairman), SP Special Opportunities, LLC ("SPSO") (an entity controlled by Mr. Ergen), and certain other parties, in the Bankruptcy Court. Harbinger alleged, among other things, claims based on fraud, unfair competition, civil conspiracy and tortious interference with prospective economic advantage related to certain purchases of LightSquared secured debt by SPSO. Subsequently, LightSquared intervened to join in certain claims alleged against certain defendants other than DISH Network, LBAC and EchoStar.

On October 29, 2013, the Bankruptcy Court dismissed all of the claims in Harbinger's complaint in their entirety, but granted leave for LightSquared to file its own complaint in intervention. On November 15, 2013, LightSquared filed its complaint, which included various claims against DISH Network, EchoStar, Mr. Ergen and SPSO. On December 2, 2013, Harbinger filed an amended complaint, asserting various claims against SPSO. On December 12, 2013, the Bankruptcy Court dismissed several of the claims asserted by LightSquared and Harbinger. The surviving claims include, among others, LightSquared's claims against SPSO for declaratory relief, breach of contract and statutory disallowance; LightSquared's tortious interference claim against DISH Network, EchoStar and Mr. Ergen; and Harbinger's claim against SPSO for statutory disallowance. These claims proceeded to a non-jury trial on January 9, 2014,

which concluded on January 17, 2014. In its Post-Trial Findings of Fact and Conclusions of Law entered on June 10, 2014, the Bankruptcy Court rejected all claims against DISH Network and EchoStar, and it rejected some but not all claims against the other defendants.

DISH Network intends to vigorously defend any claims against it in this proceeding and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

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LightSquared/Harbinger Capital Partners LLC (LightSquared Colorado Action)

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

DISH Network intends to vigorously defend any claims against it in this case and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

LightSquared Transaction Shareholder Derivative Actions

On August 9, 2013, a purported shareholder of DISH Network, Jacksonville Police and Fire Pension Fund ("Jacksonville PFPF"), filed a putative shareholder derivative action in the District Court for Clark County, Nevada alleging, among other things, breach of fiduciary duty claims against the members of DISH Network's Board of Directors as of that date: Charles W. Ergen; Joseph P. Clayton; James DeFranco; Cantey M. Ergen; Steven R. Goodbarn; David K. Moskowitz; Tom A. Ortolfo; and Carl E. Vogel (collectively, the "Director Defendants"). In its first amended complaint, Jacksonville PFPF asserted claims that Mr. Ergen breached his fiduciary duty to DISH Network in connection with certain purchases of LightSquared debt by SPSO, an entity controlled by Mr. Ergen, and that the other Director Defendants aided and abetted that alleged breach of duty. The Jacksonville PFPF claims alleged that (1) the debt purchases created an impermissible conflict of interest and (2) put at risk the LBAC Bid, which as noted above has been withdrawn. Jacksonville PFPF further claimed that most members of DISH Network's Board of Directors are beholden to Mr. Ergen to an extent that prevents them from discharging their duties in connection with DISH Network's participation in the LightSquared bankruptcy auction process. Jacksonville PFPF is seeking an unspecified amount of damages. Jacksonville PFPF dismissed its claims against Mr. Goodbarn on October 8, 2013.

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

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

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

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Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan voluntarily dismissed its claims without prejudice.

On July 25, 2014, Jacksonville PFPF filed a second amended complaint, which added claims against George R. Brokaw and Charles M. Lillis, as members of DISH Network's Board of Directors (together with the other members of DISH Network's Board of Directors (other than Mr. Goodbarn) the "Director Defendants"), and Thomas A. Cullen, R. Stanton Dodge and K. Jason Kiser, as officers of DISH Network. Jacksonville PFPF asserted five claims in its second amended complaint, each of which alleged breaches of the duty of loyalty. Three of the claims were asserted solely against Mr. Ergen; one claim was made against all of the Director Defendants, other than Mr. Ergen; and the final claim was made against Messrs. Cullen, Dodge and Kiser.

DISH Network's Board of Directors has established a Special Litigation Committee to review the factual allegations and legal claims in these actions. DISH Network cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

On September 15, 2011, Norman IP Holdings, LLC (“Norman”) filed a patent infringement complaint (the “2011 Action”) against Lexmark International Corporation (“Lexmark”) and Brother International Corporation (“Brother”), in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 5,592,555 (the “555 patent”); 5,530,597 (the “597 patent”) and 5,502,689 (the “689 patent”) by Lexmark, and infringement of the 555 patent and the 689 patent by Brother. On January 27, 2012, Norman filed a second amended complaint in the 2011 Action that added DISH Network as a defendant, among others, in which it asserted the 555 patent and the 689 patent against us. On September 21, 2012, Norman served us with preliminary infringement contentions related to the 555 patent and the 689 patent, as well as the 597 patent, which outlined Norman’s claims with respect to certain DISH products. On February 8, 2013, Norman filed a third amended complaint in the 2011 Action, in which it added claims against us alleging infringement of the 597 patent. On April 8, 2013, Norman filed a fourth amended complaint in the 2011 Action, in which it added new claims against us alleging infringement of additional DISH products. On May 1, 2013, Norman filed a fifth amended complaint in the 2011 Action, in which it named Mercedes-Benz USA, LLC; Volkswagen Group of America, Inc.; Xerox Corporation; ZTE (USA) Inc. and ZTE Solutions, Inc. as defendants, in addition to us. On July 9, 2013, the Court ordered Norman to file a new sixth amended complaint limiting Norman’s claims against us to those specifically referenced in its September 21, 2012 preliminary infringement contentions. As a result, on July 10, 2013, Norman filed a sixth amended complaint in the 2011 Action, in which it asserted claims against our wholly-owned subsidiary DISH Network L.L.C. replacing DISH Network as defendant, alleging that the use of certain Broadcom chipsets in DISH DVR systems infringes the 689 patent. In addition, Norman withdrew all infringement claims against us regarding the 555 patent and the 597 patent. On July 12, 2013, we filed a motion to dismiss the 2011 Action, because Norman failed to comply with the Court’s July 9, 2013 order.

In addition, on May 10, 2013, Norman filed a separate patent infringement complaint (the “2013 Action”) against us in the United States District Court for the Eastern District of Texas, asserting infringement of the 555, 597 and 689 patents, as well as United States Patent Nos. 5,608,873 (the “873 patent”) and 5,771,394 (the “394 patent”). The infringement claims asserted in the 2013 Action relate to different DISH products than Norman identified in the 2011 Action.

On October 18, 2013, the parties stipulated that Norman will dismiss all of its claims against DISH Network L.L.C. in the 2011 Action, and re-assert them in the 2013 Action.

The 689 patent relates to a clock generator capable of shut-down mode and clock generation method, the 555 patent relates to a wireless communications privacy method and system, the 597 patent relates to an interrupt enable circuit that allows devices to exit processes without using a hardware reset, the 873 patent relates to a device and method for providing inter-processor communication in a multi-processor architecture, and the 394 patent relates to a servo

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loop control apparatus having a master microprocessor and at least one autonomous streamlined signal processor. Norman is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

On May 30, 2014, Norman dismissed the 2013 Action against us with prejudice, pursuant to a settlement agreement.

Personalized Media Communications, Inc.

During 2008, Personalized Media Communications, Inc. (“PMC”) filed suit against DISH Network; EchoStar and Motorola Inc., in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 5,109,414; 4,965,825; 5,233,654; 5,335,277 and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Subsequently, Motorola Inc. settled with PMC, leaving DISH Network and EchoStar as defendants. On July 18, 2012, pursuant to a Court order, PMC filed a Second Amended Complaint that added Rovi Guides, Inc. (f/k/a/ Gemstar-TV Guide International, Inc.) and TVG-PMC, Inc. (collectively, “Gemstar”) as a party, and added a new claim against all defendants seeking a declaratory judgment as to the scope of Gemstar’s license to the patents in suit, under which DISH Network and EchoStar are sublicensees. No trial date is currently set.

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

Preservation Technologies, LLC

In December 2011, Preservation Technologies, LLC (“Preservation Technologies”) filed suit against DISH Network in the United States District Court for the Central District of California. In the Operative Seventh Amended Complaint, filed on March 22, 2013, Preservation Technologies also names Netflix, Inc.; Hulu, LLC; AT&T Services, Inc.; Cox Communications, Inc.; Disney Online; American Broadcasting Companies, Inc.; Yahoo! Inc.; Wal-Mart Stores, Inc.; Vudu, Inc. and ESPN Internet Ventures as defendants. Preservation Technologies alleges that the BLOCKBUSTER On Demand, DISH branded pay-TV and DISH Online services and our Hopper and Joey® set-top boxes infringe United States Patent Nos. 5,813,014; 5,832,499; 6,092,080; 6,353,831; 6,574,638; 6,199,060; 5,832,495; 6,549,911; 6,212,527 and 6,477,537. The patents relate to digital libraries, the management of multimedia assets and the cataloging of multimedia data. Preservation Technologies is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

Effective June 18, 2014, Preservation Technologies dismissed all of its claims against DISH Network with prejudice, pursuant to a settlement agreement.

Ronald A. Katz Technology Licensing, L.P.

During 2007, Ronald A. Katz Technology Licensing, L.P. (“Katz”) filed a patent infringement action against our wholly-owned subsidiary DISH Network L.L.C., in the United States District Court for the Northern District of California. The suit originally alleged infringement of 19 patents owned by Katz. The patents relate to interactive voice response, or IVR, technology. The case has been transferred and consolidated for pretrial purposes in the United States District Court for the Central District of California by order of the Judicial Panel on Multidistrict Litigation. Only four patents remain in the case against us, of which all are expired and two are subject to granted reexamination proceedings before the United States Patent and Trademark Office.

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

Technology Development and Licensing L.L.C.

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

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

TQ Beta LLC

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

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

Waste Disposal Inquiry

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

Other

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

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9. Financial Information for Subsidiary Guarantors

Our senior notes are fully, unconditionally and jointly and severally guaranteed by all of our subsidiaries other than minor subsidiaries and the stand-alone entity DISH DBS has no independent assets or operations. Therefore, supplemental financial information on a condensed consolidating basis of the guarantor subsidiaries is not required. There are no restrictions on our ability to obtain cash dividends or other distributions of funds from the guarantor subsidiaries, except those imposed by applicable law.

10. Related Party Transactions

Related Party Transactions with DISH Network

On May 2, 2014, DISH Network contributed its equity interest in DISH Digital Holding L.L.C. (“DISH Digital”) to us. We recorded all of the assets and liabilities at historical cost and the difference was recorded as a deemed distribution in “Stockholder’s equity (deficit)” on our Condensed Consolidated Balance Sheets. As a result, all operating activities of DISH Digital are included in our financial results beginning May 2, 2014.

On March 28, 2014, we paid a dividend of \$650 million to DOC in connection with, among other things, the funding of certain payments by DISH Network related to its winning bid for all 176 wireless spectrum licenses in the recent H Block auction. See Note 8 for further information.

Blockbuster. On April 26, 2011, DISH Network completed the acquisition of most of the assets of Blockbuster, Inc. During the three and six months ended June 30, 2013, we recorded \$4 million and \$8 million, respectively, of “Subscriber-related expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for Blockbuster services provided to our subscribers related to certain of our promotions. As of December 31, 2013, Blockbuster had ceased material operations. As a result, during the three and six months ended June 30, 2014, we did not record any expense related to these services.

Advertising Sales. We provide advertising services to DISH Network’s broadband business. During each of the three months ended June 30, 2014 and 2013, we recorded revenue associated with these services of \$5 million in “Subscriber-related revenue” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the six months ended June 30, 2014 and 2013, we recorded revenue associated with these services of \$9 million and \$5 million, respectively.

Blockbuster, Broadband, Wireless and Other Operations. We provide certain administrative support such as legal, information systems, marketing, human resources, accounting and finance services to DISH Network’s Blockbuster, Broadband, Wireless and other operations. In addition, we provide call center, installation and other services to DISH Network for its Broadband business. During the three months ended June 30, 2014 and 2013, the costs associated with these services were \$3 million and \$2 million, respectively. During the six months ended June 30, 2014 and 2013, the costs associated with these services were \$6 million and \$5 million, respectively.

Related Party Transactions with EchoStar

Following the Spin-off, DISH Network and EchoStar have operated as separate publicly-traded companies, and, except for the Satellite and Tracking Stock Transaction described in Note 4 and below, neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

EchoStar is our primary supplier of set-top boxes and digital broadcast operations and a supplier of a majority of our transponder capacity. Generally, the amounts we pay EchoStar for products and services are based on pricing equal

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to EchoStar’s cost plus a fixed margin (unless noted differently below), which will vary depending on the nature of the products and services provided.

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

“Equipment sales, services and other revenue — EchoStar”

Remanufactured Receiver Agreement. We entered into a remanufactured receiver agreement with EchoStar pursuant to which EchoStar has the right, but not the obligation, to purchase remanufactured receivers and accessories from us at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. In November 2013, we and EchoStar extended this agreement until December 31, 2014. EchoStar may terminate the remanufactured receiver agreement for any reason upon at least 60 days notice to us. We may also terminate this agreement if certain entities acquire us.

Professional Services Agreement. Prior to 2010, in connection with the Spin-off, DISH Network entered into various agreements with EchoStar including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional Services Agreement. During 2009, DISH Network and EchoStar 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, DISH Network and EchoStar agreed that DISH Network shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement) and receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. The Professional Services Agreement automatically renewed on January 1, 2014 for an additional one-year period until January 1, 2015 and renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days notice. However, either party may terminate the Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days notice.

Management Services Agreement. In connection with the Spin-off, DISH Network entered into a Management Services Agreement with EchoStar pursuant to which DISH Network has made certain of its officers available to provide services (which were primarily legal and accounting services) to EchoStar. Effective June 15, 2013, the Management Services Agreement was terminated by EchoStar. EchoStar made payments to DISH Network based upon an allocable portion of the personnel costs and expenses incurred by DISH Network with respect to any such officers (taking into account wages and fringe benefits). These allocations were based upon the estimated percentages of time spent by DISH Network’s executive officers performing services for EchoStar

under the Management Services Agreement. EchoStar also reimbursed DISH Network for direct out-of-pocket costs incurred by DISH Network for management services provided to EchoStar. DISH Network and EchoStar evaluated all charges for reasonableness at least annually and made any adjustments to these charges as DISH Network and EchoStar mutually agreed upon.

Satellite Capacity Leased to EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which EchoStar leases certain satellite capacity on certain satellites owned by us. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of

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the applicable satellite, the number of transponders that are leased on the applicable satellite and the length of the lease. The term of each lease is set forth below:

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

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

- *El Paso Lease Agreement.* During 2012, DISH Network leased certain space at 1285 Joe Battle Blvd. El Paso, Texas to EchoStar for a period ending on August 1, 2015, which also provides EchoStar with renewal options for four consecutive three-year terms.
- *American Fork Occupancy License Agreement.* During 2013, DISH Network subleased certain space at 796 East Utah Valley Drive, American Fork, Utah to EchoStar for a period ending on July 31, 2017.

“Satellite and transmission expenses”

During the three months ended June 30, 2014 and 2013, we incurred \$169 million and \$124 million, respectively, for satellite and transmission expenses from EchoStar. These amounts are recorded in “Satellite and transmission expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the six months ended June 30, 2014 and 2013, we incurred \$307 million and \$235 million, respectively, for these satellite and transmission expenses. The agreements pertaining to these expenses are discussed below.

Broadcast Agreement. Effective January 1, 2012, we and EchoStar entered into a broadcast agreement (the “2012 Broadcast Agreement”) pursuant to which EchoStar provides broadcast services to us, including teleport services such as transmission and downlinking, channel origination services, and channel management services, for the period from January 1, 2012 to December 31, 2016. The fees for services provided under the 2012 Broadcast Agreement are calculated at either: (a) EchoStar's cost of providing the relevant service plus a fixed dollar fee, which is subject to certain adjustments; or (b) EchoStar's cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided. We have the ability to terminate channel origination services and channel management services for any reason and without any liability upon at least 60 days notice to EchoStar. If we terminate the teleport services provided under the 2012 Broadcast Agreement for a reason other than EchoStar's breach, we are generally obligated to reimburse EchoStar for any direct costs EchoStar incurs related to any such termination that it cannot reasonably mitigate.

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

Satellite Capacity Leased from EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which we lease certain satellite capacity on certain satellites owned or leased by EchoStar.

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The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are leased on the applicable satellite and the length of the lease. The term of each lease is set forth below:

- *EchoStar I, VII, X, XI and XIV.* On March 1, 2014, we began leasing certain capacity from EchoStar on the EchoStar I, VII, X, XI and XIV satellites. The term of each satellite capacity agreement generally terminates upon the earlier of: (i) the end-of-life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. We generally have the option

to renew each satellite capacity agreement on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised.

- *EchoStar VIII.* During May 2013, we began leasing capacity from EchoStar on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this lease converted to a month-to-month lease. Both parties have the right to terminate this lease with 30 days notice.
- *EchoStar IX.* We lease certain satellite capacity from EchoStar on EchoStar IX. Subject to availability, we generally have the right to continue to lease satellite capacity from EchoStar on EchoStar IX on a month-to-month basis.
- *EchoStar XII.* The lease for EchoStar XII generally terminates upon the earlier of: (i) the end-of-life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponders on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service and the exercise of certain renewal options. We generally have the option to renew the lease on a year-to-year basis through the end of the satellite's life. There can be no assurance that any options to renew this agreement will be exercised.
- *EchoStar XVI.* During December 2009, we entered into a transponder service agreement with EchoStar to lease all of the capacity on EchoStar XVI, a DBS satellite, after its service commencement date. EchoStar XVI was launched during November 2012 to replace EchoStar XV at the 61.5 degree orbital location and is currently in service. Under the original transponder service agreement, the initial term generally expired upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite failed; (iii) the date the transponder(s) on which service was being provided under the agreement failed; or (iv) ten years following the actual service commencement date. Prior to expiration of the initial term, we also had the option to renew on a year-to-year basis through the end-of-life of the satellite. Effective December 21, 2012, we and EchoStar amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. Prior to expiration of the initial term, we have the option to renew for an additional six-year period. Prior to expiration of the initial term, EchoStar also has the right, upon certain conditions, to renew for an additional six-year period. If either we or EchoStar exercise our respective six-year renewal options, then we have the option to renew for an additional five-year period prior to expiration of the then-current term. There can be no assurance that any options to renew this agreement will be exercised.

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

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guaranteed certain obligations of EchoStar under the Telesat Transponder Agreement. See discussion under "Guarantees" in Note 8.

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

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

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

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

In connection with the 103 Spectrum Development Agreement, during May 2012, EchoStar also entered into a ten-year service agreement with Ciel pursuant to which EchoStar leases certain satellite capacity from Ciel on the SES-3 satellite at the 103 degree orbital location (the "103 Service Agreement"). During June 2013, we and EchoStar entered into an agreement pursuant to which we lease certain satellite capacity from EchoStar on the SES-3 satellite (the "DISH

103 Service Agreement”). Under the terms of the DISH 103 Service Agreement, we make certain monthly payments to EchoStar through the service term. Unless earlier terminated under the terms and conditions of the DISH 103 Service Agreement, the initial service term will expire on the earlier of: (i) the date the SES-3 satellite fails; (ii) the date the transponder(s) on which service was being provided under the agreement fails; or (iii) ten years following the actual service commencement date. Upon in-orbit failure or end-of-life of the SES-3 satellite, and in certain other circumstances, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that we will exercise our option to receive service on a replacement satellite.

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TT&C Agreement. Effective January 1, 2012, we entered into a telemetry, tracking and control (“TT&C”) agreement pursuant to which we receive TT&C services from EchoStar for a period ending on December 31, 2016 (the “2012 TT&C Agreement”). The fees for services provided under the 2012 TT&C Agreement are calculated at either: (i) a fixed fee; or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. We are able to terminate the 2012 TT&C Agreement for any reason upon 60 days notice.

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

“General and administrative expenses”

During the three months ended June 30, 2014 and 2013, we incurred \$28 million and \$20 million, respectively, for general and administrative expenses from EchoStar. These amounts are recorded in “General and administrative expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the six months ended June 30, 2014 and 2013, we incurred \$49 million and \$33 million, respectively, for these general and administrative expenses. The agreements pertaining to these expenses are discussed below. In addition, the expenses incurred pursuant to the Commercial Agreement discussed in “DISH Digital Holding L.L.C.,” under “Other Agreements — EchoStar” below, are also included in these amounts.

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

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

- *Inverness Lease Agreement.* The lease for certain space at 90 Inverness Circle East in Englewood, Colorado is for a period ending on December 31, 2016. This agreement can be terminated by either party upon six months prior notice.
- *Meridian Lease Agreement.* The lease for all of 9601 S. Meridian Blvd. in Englewood, Colorado is for a period ending on December 31, 2016.
- *Santa Fe Lease Agreement.* The lease for all of 5701 S. Santa Fe Dr. in Littleton, Colorado is for a period ending on December 31, 2016, with a renewal option for one additional year.
- *EchoStar Data Networks Sublease Agreement.* The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia is for a period ending on October 31, 2016.
- *Gilbert Lease Agreement.* The lease for certain space at 801 N. DISH Dr. in Gilbert, Arizona terminated on May 31, 2014.

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

DISHOnline.com Services Agreement. Effective January 1, 2010, we entered into a two-year agreement with EchoStar pursuant to which we receive certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. We have the option to renew this agreement for three successive one year terms and the agreement may be terminated for any reason upon at least 120 days notice to EchoStar. In November 2013, we exercised our right to renew this agreement for a one-year period ending on December 31, 2014.

DISH Remote Access Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we receive, among other things, certain remote DVR management services. The fees for the services provided under this services agreement depend, among other things, upon

the cost to develop and operate such services. This agreement has a term of five years with automatic renewal for successive one year terms. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar.

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

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

XiP Encryption Agreement. During the third quarter 2012, we entered into an encryption agreement with EchoStar for our whole-home HD DVR line of set-top boxes (the “XiP Encryption Agreement”) pursuant to which EchoStar provides certain security measures on our whole-home HD DVR line of set-top boxes to encrypt the content delivered to the set-top box via a smart card and secure the content between set-top boxes. The term of the XiP Encryption Agreement is for a period until December 31, 2014. Under the XiP Encryption Agreement, we have the option, but not the obligation, to extend the XiP Encryption Agreement for one additional year upon 180 days notice prior to the end of the term. We and EchoStar each have the right to terminate the XiP Encryption Agreement for any reason upon at least 30 days notice and 180 days notice, respectively. The fees for the services provided under the XiP Encryption Agreement are calculated on a monthly basis based on the number of receivers utilizing such security measures each month.

Other Agreements — EchoStar

Receiver Agreement. EchoStar is currently our primary supplier of set-top box receivers. Effective January 1, 2012, we and EchoStar entered into a receiver agreement (the “2012 Receiver Agreement”) pursuant to which we have the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment from EchoStar for the period from January 1, 2012 to December 31, 2014. We have an option, but not the obligation, to extend the 2012 Receiver Agreement for one additional year upon 180 days notice prior to the end of the term. On May 5, 2014, we provided EchoStar notice to extend the 2012 Receiver Agreement for one year to December 31, 2015. The 2012 Receiver Agreement allows us to purchase digital set-top boxes, related accessories and other equipment from EchoStar either: (i) at a cost (decreasing as EchoStar reduces costs and increasing as costs increase)

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plus a dollar mark-up which will depend upon the cost of the product subject to a collar on EchoStar’s mark-up; or (ii) at cost plus a fixed margin, which will depend on the nature of the equipment purchased. Under the 2012 Receiver Agreement, EchoStar’s margins will be increased if they are able to reduce the costs of their digital set-top boxes and their margins will be reduced if these costs increase. EchoStar provides us with standard manufacturer warranties for the goods sold under the 2012 Receiver Agreement. Additionally, the 2012 Receiver Agreement includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters. We are able to terminate the 2012 Receiver Agreement for any reason upon at least 60 days notice to EchoStar. EchoStar is able to terminate the 2012 Receiver Agreement if certain entities acquire us.

For the three months ended June 30, 2014 and 2013, we purchased set-top boxes and other equipment from EchoStar of \$296 million and \$309 million, respectively. For the six months ended June 30, 2014 and 2013, we purchased set-top boxes and other equipment from EchoStar of \$590 million and \$606 million, respectively. Included in these amounts are purchases of certain broadband equipment from EchoStar under the 2012 Receiver Agreement. These amounts are initially included in “Inventory” and are subsequently capitalized as “Property and equipment, net” on our Condensed Consolidated Balance Sheets or expensed as “Subscriber acquisition costs” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed.

Tax Sharing Agreement. In connection with the Spin-off, DISH Network entered into a tax sharing agreement with EchoStar which governs our respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by 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 (the “Code”) because of: (i) a direct or indirect acquisition of any of EchoStar’s stock, stock options or assets; (ii) any action that EchoStar takes or fails to take; or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the Internal Revenue Service (“IRS”) in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar is solely liable for, and will indemnify 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 DISH Network’s consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter 2013, DISH Network and EchoStar agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS’ examination of these consolidated tax returns. As a result, DISH Network agreed to pay EchoStar \$83 million of the tax benefit DISH Network received or will receive. Any payment to EchoStar, including accrued interest, will be made at such time as EchoStar would have otherwise been able to realize such tax benefit. In addition, during the third quarter 2013, DISH Network and EchoStar agreed upon a tax sharing arrangement for filing certain combined state income tax returns and a method of allocating the respective tax liabilities between DISH Network and EchoStar for such combined returns, through the taxable period ending on December 31, 2017.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. (“DISH Broadband”), our wholly-owned subsidiary, was selected by the Rural Utilities Service (“RUS”) of the United States Department of Agriculture to receive up to approximately \$14 million in broadband stimulus grant funds (the “Grant Funds”). Effective November 2011, DISH Broadband and HNS entered into a RUS Implementation Agreement (the “RUS Agreement”) pursuant to which HNS provides certain portions of the equipment and broadband service used to implement our RUS program. The RUS Agreement expired during June 2013, when the Grant Funds were exhausted. During the three and six months ended June 30, 2013, we expensed \$2 million and \$3 million,

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respectively, under the RUS Agreement, which is included in “Cost of sales — equipment, services and other” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

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

Under the settlement agreement, all pending litigation was dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by DISH Network or EchoStar were dissolved. DISH Network and EchoStar are jointly responsible for making payments to TiVo in the aggregate amount of \$500 million, including an initial payment of \$300 million and the remaining \$200 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with the Spin-off of EchoStar from DISH Network, DISH Network made the initial payment to TiVo in May 2011, except for the contribution from EchoStar totaling approximately \$10 million, representing an allocation of liability relating to EchoStar’s sales of DVR-enabled receivers to an international customer. Future payments will be allocated between DISH Network and EchoStar based on historical sales of certain licensed products, with DISH Network being responsible for 95% of each annual payment.

Patent Cross-License Agreements. During December 2011, DISH Network and EchoStar entered into separate patent cross-license agreements with the same third-party whereby: (i) EchoStar and such third-party licensed their respective patents to each other subject to certain conditions; and (ii) DISH Network and such third-party licensed their respective patents to each other subject to certain conditions (each, a “Cross-License Agreement”). Each Cross License Agreement covers patents acquired by the respective party prior to January 1, 2017 and aggregate payments under both Cross-License Agreements total less than \$10 million. Each Cross License Agreement also contains an option to extend each Cross-License Agreement to include patents acquired by the respective party prior to January 1, 2022. If both options are exercised, the aggregate additional payments to such third-party would total less than \$3 million. However, DISH Network and EchoStar may elect to extend their respective Cross-License Agreement independently of each other. Since the aggregate payments under both Cross-License Agreements were based on the combined annual revenues of DISH Network and EchoStar, DISH Network and EchoStar agreed to allocate their respective payments to such third-party based on their respective percentage of combined total revenue.

DISH Digital Holding L.L.C. On May 2, 2014, DISH Network contributed its equity interest in DISH Digital to us. See “Related Party Transactions with DISH Network” within the related party section previously discussed. Effective July 1, 2012, DISH Network and EchoStar formed DISH Digital, which was owned two-thirds by DISH Network and one-third by EchoStar and was consolidated into DISH Network’s financial statements beginning July 1, 2012. DISH Digital was formed to develop and commercialize certain advanced technologies. At that time, DISH Network, EchoStar and DISH Digital entered into the following agreements with respect to DISH Digital: (i) a contribution agreement pursuant to which DISH Network and EchoStar contributed certain assets in exchange for its respective ownership interests in DISH Digital; (ii) a limited liability company operating agreement (the “Operating Agreement”), which provides for the governance of DISH Digital; and (iii) a commercial agreement (the “Commercial Agreement”) pursuant to which, among other things, DISH Digital has: (a) certain rights and corresponding obligations with respect to its business; and (b) the right, but not the obligation, to receive certain services from DISH Network and EchoStar, respectively. Since this was a formation of an entity under common control and a step-up in basis was not allowed, each party’s contributions were recorded at historical book value for accounting purposes. DISH Network consolidated DISH Digital with EchoStar’s ownership position recorded as non-controlling interest. Effective August 1, 2014, EchoStar and DISH Digital entered into an exchange agreement (the “Exchange Agreement”) pursuant to which, among other things, DISH Digital distributed certain assets to EchoStar and EchoStar reduced its interest in DISH Digital to a ten percent non-voting interest. We now have a ninety percent equity interest and a 100% voting interest in DISH Digital. In addition, we, EchoStar and DISH Digital amended and restated the Operating Agreement, primarily to reflect the changes implemented by the Exchange Agreement. Finally, we, EchoStar and DISH Digital amended and restated the Commercial Agreement pursuant to which, among other things, DISH Digital: (1) continues to have certain rights and corresponding obligations with respect to its business; (2) continues to have the right, but not the obligation, to receive certain

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services from us and EchoStar; and (3) has a license from EchoStar to use certain of the assets distributed to EchoStar as part of the Exchange Agreement. All services provided to DISH Digital by EchoStar under the Commercial Agreement are recorded in “General and administrative expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See “General and administrative expenses” within the related party section previously discussed.

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

approximately \$59 million and approximately \$11 million in cash in exchange for the Tracking Stock; and (ii) beginning on March 1, 2014, we lease back certain satellite capacity on the Transferred Satellites. The Satellite and Tracking Stock Transaction is further described below:

- **Transaction Agreement.** On February 20, 2014, DOLLC, DNLLC and EchoStar XI Holding L.L.C., all indirect wholly-owned subsidiaries of us, entered into the Transaction Agreement with EchoStar, HSSC and Alpha Company LLC, a wholly-owned subsidiary of EchoStar, pursuant to which, on March 1, 2014, we, among other things, transferred to EchoStar and HSSC the Transferred Satellites in exchange for the Tracking Stock. The Tracking Stock generally tracks the Hughes Retail Group. The shares of the Tracking Stock issued to us represent an aggregate 80% economic interest in the Hughes Retail Group. Since the Satellite and Tracking Stock Transaction is among entities under common control, we recorded the Tracking Stock at EchoStar and HSSC's historical cost basis for these instruments of \$229 million and \$87 million, respectively. The difference between the historical cost basis of the Tracking Stock received and the net carrying value of the Transferred Satellites of \$356 million (including debt obligations, net of deferred taxes), plus the \$11 million in cash, resulted in a \$51 million capital transaction recorded in "Additional paid-in capital" on our Condensed Consolidated Balance Sheet. Although our investment in the Tracking Stock represents an aggregate 80% economic interest in the Hughes Retail Group, we have no operational control or significant influence over the Hughes Retail Group business, and currently there is no public market for the Tracking Stock. As such, the Tracking Stock is accounted for under the cost method of accounting. The Transaction Agreement includes, among other things, customary mutual provisions for representations, warranties and indemnification.
- **Satellite Capacity Leased from EchoStar.** On February 20, 2014, we entered into satellite capacity agreements with certain subsidiaries of EchoStar pursuant to which, beginning March 1, 2014, we, among other things, lease certain satellite capacity on the Transferred Satellites. See further discussion under "Satellite and transmission expenses — Satellite Capacity Leased from EchoStar."
- **Investor Rights Agreement.** On February 20, 2014, EchoStar, HSSC, DOLLC and DNLLC (DOLLC and DNLLC, collectively referred to as the "DISH Investors") also entered into the Investor Rights Agreement with respect to the Tracking Stock. The Investor Rights Agreement provides, among other things, certain information and consultation rights for the DISH Investors; certain transfer restrictions on the Tracking Stock and certain rights and obligations to offer and sell under certain circumstances (including a prohibition on transfers of the Tracking Stock for one year, with continuing transfer restrictions (including a right of first offer in favor of EchoStar) thereafter, an obligation to sell the Tracking Stock to EchoStar in connection with a change of control of DISH Network and a right to require EchoStar to repurchase the Tracking Stock in connection with a change of control of EchoStar, in each case subject to certain terms and conditions); certain registration rights; certain obligations to provide conversion and exchange rights of the Tracking Stock under certain circumstances; and certain protective covenants

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afforded to holders of the Tracking Stock. The Investor Rights Agreement generally will terminate as to the DISH Investors at such time as the DISH Investors no longer hold any shares of the HSSC-issued Tracking Stock and any registrable securities under the Investor Rights Agreement.

Other Agreements

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

Related Party Transactions with NagraStar L.L.C.

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

The table below summarizes our transactions with NagraStar.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
	(In thousands)			
Purchases (including fees):				
Purchases from NagraStar	\$ 38,867	\$ 24,547	\$ 59,070	\$ 46,566
	As of			
	June 30, 2014	December 31, 2013		
	(In thousands)			
Amounts Payable and Commitments:				
Amounts payable to NagraStar	\$ 13,166	\$ 20,954		
Commitments to NagraStar	\$ 6,619	\$ 2,463		

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You should read the following narrative analysis of our results of operations together with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this quarterly report. This management's narrative analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2014 under the caption "Item 1A. Risk Factors." Further, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any undertaking to update any forward-looking statements.

EXECUTIVE SUMMARY

Overview

DISH lost approximately 44,000 net Pay-TV subscribers during the three months ended June 30, 2014, compared to a loss of approximately 78,000 net Pay-TV subscribers during the same period in 2013. The decrease in the loss of net Pay-TV subscribers versus the same period in 2013 primarily resulted from higher gross new Pay-TV subscriber activations.

During the three months ended June 30, 2014, DISH activated approximately 656,000 gross new Pay-TV subscribers compared to approximately 624,000 gross new Pay-TV subscribers during the same period in 2013, an increase of 5.1%. This increase was driven primarily by increased advertising. Although our gross new Pay-TV subscriber activations increased, our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing, discounted promotional offers, and more aggressive retention efforts in a mature market. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Our Pay-TV churn rate for the three months ended June 30, 2014 was 1.66% compared to 1.67% for the same period in 2013. While our Pay-TV churn rate was similar compared to the same period in 2013, our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, service interruptions driven by programming disputes, and our ability to control piracy and other forms of fraud.

DISH lost approximately 4,000 net Pay-TV subscribers during the six months ended June 30, 2014, compared to a loss of approximately 42,000 net Pay-TV subscribers during the same period in 2013. The decrease in the loss of net Pay-TV subscribers versus the same period in 2013 primarily resulted from lower Pay-TV churn and higher gross new Pay-TV subscriber activations.

Our Pay-TV churn rate for the six months ended June 30, 2014 was 1.54% compared to 1.57% for the same period in 2013. While our Pay-TV churn rate improved compared to the same period in 2013, our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, service interruptions driven by programming disputes, and our ability to control piracy and other forms of fraud.

During the six months ended June 30, 2014, DISH activated approximately 1.295 million gross new Pay-TV subscribers compared to approximately 1.278 million gross new Pay-TV subscribers during the same period in 2013, an increase of 1.3%. Although our gross new Pay-TV subscriber activations increased, our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing, discounted promotional offers, and more aggressive retention efforts in a mature market. In addition, our

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gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

"Net income (loss) attributable to DISH DBS" for the three months ended June 30, 2014 and 2013 was \$190 million and \$234 million, respectively. During the three months ended June 30, 2014, "Net income (loss) attributable to DISH DBS" decreased primarily due to higher subscriber-related expenses and satellite and transmission expenses, partially offset by the increase in revenue related to the programming package price increases in February 2014 and lower "Interest expense, net of amounts capitalized."

"Net income (loss) attributable to DISH DBS" for the six months ended June 30, 2014 and 2013 was \$381 million and \$440 million, respectively. During the six months ended June 30, 2014, "Net income (loss) attributable to DISH DBS" decreased primarily due to higher subscriber-related expenses and satellite and transmission expenses, partially offset by the increase in revenue related to the programming package price increases in February 2014 and 2013.

Our ability to compete successfully will depend, among other things, on our ability to continue to obtain desirable programming and deliver it to our subscribers at competitive prices. Programming costs represent a large percentage of our "Subscriber-related expenses" and the largest component of our total expense. We expect these costs to continue to increase, especially for local broadcast channels and sports programming. Going forward, our margins may face pressure if we are unable to renew our long-term programming contracts on favorable pricing and other economic terms. In addition, increases in programming costs could cause us to increase the rates that we charge our subscribers, which could in turn cause our existing Pay-TV subscribers to disconnect our service or cause potential new Pay-TV subscribers to choose not to subscribe to our service. Additionally, even if our subscribers do not disconnect our services, they may purchase through new and existing online platforms a certain portion of the services that they would have historically purchased from us, such as pay per view movies, resulting in less revenue to us. Furthermore, our gross new Pay-TV subscriber activations and Pay-TV churn rate may be negatively impacted if we are unable to renew our long-term programming contracts before they expire or if we lose access to programming as a result of disputes with programming suppliers.

As the pay-TV industry has matured, we and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers of pay-TV services. Some of our competitors have been especially aggressive by offering discounted programming and services for both new and existing subscribers. In addition, programming offered over the Internet has become more prevalent as the speed and quality of broadband networks have improved. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to digital media competition could materially adversely affect our business, results of operations and financial condition or otherwise disrupt our business. In particular, consumers have shown increased interest in viewing certain video programming at any place, at any time and/or on any broadband-connected device they choose. We are currently evaluating, among other things, certain technical and economic considerations relevant to the offering of certain video programming only over the Internet.

While economic factors have impacted the entire pay-TV industry, our relative performance has also been driven by issues specific to DISH. In the past, our Pay-TV subscriber growth has been adversely affected by signal theft and other forms of fraud and by operational inefficiencies at DISH. To combat signal theft and improve the security of our broadcast system, we use microchips embedded in credit card sized access cards, called "smart cards," or security chips in our receiver systems to control access to authorized programming content ("Security Access Devices"). We completed the replacement of our Security Access Devices to re-secure our system during 2009. We expect that additional future replacements of these devices will be necessary to keep our system secure. To combat other forms of fraud, we continue to expect that our third-party distributors and retailers will adhere to our business rules.

While we have made improvements in responding to and dealing with customer service issues, we continue to focus on the prevention of these issues, which is critical to our business, financial condition and results of operations. We

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implemented a new billing system as well as new sales and customer care systems in the first quarter 2012. To improve our operational performance, we continue to make significant investments in staffing, training, information systems, and other initiatives, primarily in our call center and in-home service operations. These investments are intended to help combat inefficiencies introduced by the increasing complexity of our business, improve customer satisfaction, reduce churn, increase productivity, and allow us to scale better over the long run. We cannot, however, be certain that our spending will ultimately be successful in improving our operational performance.

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

For several years we have been selectively migrating customers with QPSK receivers to 8PSK receivers concurrent with scheduled in-home service visits or through receiver exchanges. We plan to expand that effort beginning in September 2014 to our remaining customers that have QPSK receivers. We also expect to begin migrating customers in approximately ten percent of our local markets from MPEG-2 to MPEG-4 receivers in September 2014. We will implement this receiver migration to conform to the capabilities of our EchoStar XVIII satellite, scheduled for launch in late 2015. The estimated incremental subscriber related expense for these receiver migration efforts during the next two years is not expected to exceed \$100 million. Both the schedule and the incremental costs of these receiver migrations could change due to many factors, including, among other things, satellite health and capacity.

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

To maintain and enhance our competitiveness over the long term, we introduced the Hopper[®] set-top box during first quarter 2012, which a consumer can use, at his or her option, to view recorded programming in HD in multiple rooms. During the first quarter 2013, we introduced the Hopper set-top box with Sling, which promotes a suite of integrated features and functionality designed to maximize the convenience and ease of watching TV anytime and anywhere, which we refer to as DISH Anywhere[™] that includes, among other things, online access and Slingbox "placeshifting" technology. In addition, the Hopper with Sling has several innovative features that a consumer can use, at his or her option, to watch and record television programming through certain tablet computers and combines program-discovery tools, social media engagement and remote-control capabilities through the use of certain tablet computers and smart phones. We recently introduced the Super Joey[™] receiver. A consumer can use, at his or her option, the Super Joey combined with the Hopper to record up to eight shows at the same time. There can be no assurance that these integrated features and functionality will positively affect our results of operations or our gross new Pay-TV subscriber activations.

During the second quarter 2012, the four major broadcast television networks filed lawsuits against us alleging, among other things, that the PrimeTime Anytime[™] and AutoHop[™] features of the Hopper set-top box infringe their copyrights. Additionally, Fox has alleged, among other things, that the Sling and Hopper Transfers[™] features of our Hopper set-top box infringe its copyrights. In the event a court ultimately determines that we infringe the asserted copyrights, we may be subject to, among other things, an injunction that could require us to materially

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modify or cease to offer these features. See Note 8 in the Notes to our Condensed Consolidated Financial Statements for further information.

In 2010, we purchased all of South.com, L.L.C., which is an entity that holds MVDDS licenses in 37 markets in the United States. In October 2012, we agreed to purchase additional MVDDS licenses in 45 markets from an affiliate of Cablevision Systems Corporation (“Cablevision”). We are currently leasing five of these licenses to a wholly-owned subsidiary of Cablevision. We have MVDDS licenses in 82 out of 214 geographical license areas, including Los Angeles, New York City, Chicago and several other major metropolitan areas. By August 2014, we are required to meet certain FCC build-out requirements related to our MVDDS licenses, and we are subject to certain FCC service rules applicable to these licenses. We have filed an application with the FCC seeking a waiver of the build-out requirements related to our MVDDS licenses and requested an additional four-year license term. That application remains pending, and we cannot predict the timing or outcome of our application. Part or all of our MVDDS licenses may be terminated if our waiver and/or extension are not granted. These licenses are recorded in “FCC authorizations” on our Condensed Consolidated Balance Sheets and had a carrying value of \$24 million as of June 30, 2014.

Operational Liquidity

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

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

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

Availability of Credit and Effect on Liquidity

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

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Future Liquidity

6 5/8% Senior Notes due 2014

During the three months ended June 30, 2014, we repurchased \$98 million of our 6 5/8% Senior Notes due 2014. The remaining balance of \$902 million matures on October 1, 2014 and is included in “Current portion of long-term debt and capital lease obligations” on our Condensed Consolidated Balance Sheets as of June 30, 2014. We expect to fund this obligation from cash generated from operations and existing cash and marketable investment securities balances.

7 3/4% Senior Notes due 2015

During the three months ended June 30, 2014, we repurchased \$16 million of our 7 3/4% Senior Notes due 2015. The remaining balance of \$734 million matures on May 31, 2015 and has been reclassified to “Current portion of long-term debt and capital lease obligations” on our Condensed Consolidated Balance Sheets as of June 30, 2014. We expect to fund this obligation from cash generated from operations and existing cash and marketable investment securities balances.

Wireless Spectrum

DISH Network has made substantial investments to acquire certain wireless spectrum licenses in recent years. DISH Network may also determine that additional spectrum licenses may be required to commercialize its wireless business and to compete with other wireless service providers. DISH Network will need to make significant additional investments or partner with others to, among other things, finance the commercialization and build-out requirements of its licenses and any additional acquired licenses and DISH Network’s integration efforts, including compliance with regulations applicable to acquired licenses. Depending on the nature and scope of such commercialization, build-out, and integration efforts, any such investment or partnership could vary significantly. We have made cash distributions to DISH Network to partially finance the acquisition of these licenses and may make additional cash distributions to, among other things, finance in whole or in part the acquisition of additional licenses and the commercialization and build-out requirements of acquired licenses and DISH Network’s integration efforts, including compliance with regulations applicable to acquired licenses. There can be no assurance that DISH Network will be able to develop and implement a business model that will realize a return on these spectrum licenses or that DISH Network will be able to profitably deploy the assets represented by these spectrum licenses. See Note 8 “Commitments and Contingencies — Wireless Spectrum” in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Covenants and Restrictions Related to our Senior Notes

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

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09 (“ASU 2014-09”), *Revenue from Contracts with Customers*. This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board (“IASB”) to improve financial reporting by creating common revenue recognition guidance for accounting principles generally accepted in the United States (“GAAP”) and International Financial Reporting Standards (“IFRS”). ASU 2014-09 provides a framework for revenue recognition

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Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

that replaces most existing GAAP revenue recognition guidance when it becomes effective. ASU 2014-09 will become effective for us on January 1, 2017. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. “Subscriber-related revenue” consists principally of revenue from basic, premium movie, local, HD programming, pay-per-view, Latino and international subscription pay-TV services, equipment rental fees and other hardware related fees, including fees for DVRs, equipment upgrade fees and additional outlet fees from subscribers with receivers with multiple tuners, advertising services, fees earned from our in-home service operations and other subscriber revenue. Certain of the amounts included in “Subscriber-related revenue” are not recurring on a monthly basis.

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

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

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

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

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

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

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

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Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

General and administrative expenses. “General and administrative expenses” consists primarily of employee-related costs associated with administrative services such as legal, information systems, accounting and finance, including non-cash, stock-based compensation expense. It also includes outside

professional fees (e.g., legal, information systems and accounting services) and other items associated with facilities and administration.

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

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

Other, net. The main components of “Other, net” are gains and losses realized on the sale of investments, impairment of marketable and non-marketable investment securities, unrealized gains and losses from changes in fair value of marketable and non-marketable investments accounted for at fair value, and equity in earnings and losses of our affiliates.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA is defined as “Net income (loss) attributable to DISH DBS” plus “Interest expense, net of amounts capitalized” net of “Interest income,” “Income tax (provision) benefit, net” and “Depreciation and amortization.” This “non-GAAP measure” is reconciled to “Net income (loss) attributable to DISH DBS” in our discussion of “Results of Operations” below.

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

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

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

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Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

RESULTS OF OPERATIONS

Three Months Ended June 30, 2014 Compared to the Three Months Ended June 30, 2013.

Statements of Operations Data	For the Three Months Ended June 30,		Variance	
	2014	2013	Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 3,555,953	\$ 3,412,136	\$ 143,817	4.2
Equipment sales and other revenue	26,057	24,047	2,010	8.4
Equipment sales, services and other revenue - EchoStar	16,555	8,739	7,816	89.4
Total revenue	3,598,565	3,444,922	153,643	4.5
Costs and Expenses:				
Subscriber-related expenses	2,042,504	1,893,046	149,458	7.9
% of Subscriber-related revenue	57.4%	55.5%		
Satellite and transmission expenses	178,660	133,829	44,831	33.5
% of Subscriber-related revenue	5.0%	3.9%		
Cost of sales - equipment, services and other	30,985	20,720	10,265	49.5
Subscriber acquisition costs	422,457	395,495	26,962	6.8
General and administrative expenses	178,381	172,506	5,875	3.4
% of Total revenue	5.0%	5.0%		
Depreciation and amortization	248,382	228,165	20,217	8.9
Total costs and expenses	3,101,369	2,843,761	257,608	9.1
Operating income (loss)	497,196	601,161	(103,965)	(17.3)
Other Income (Expense):				
Interest income	10,102	9,742	360	3.7
Interest expense, net of amounts capitalized	(212,177)	(247,461)	35,284	14.3
Other, net	405	65	340	*
Total other income (expense)	(201,670)	(237,654)	35,984	15.1

Income (loss) before income taxes	295,526	363,507	(67,981)	(18.7)
Income tax (provision) benefit, net	(109,532)	(129,625)	20,093	15.5
Effective tax rate	37.1%	35.7%		
Net income (loss)	185,994	233,882	(47,888)	(20.5)
Less: Net income (loss) attributable to noncontrolling interest	(4,492)	—	(4,492)	*
Net income (loss) attributable to DISH DBS	\$ 190,486	\$ 233,882	\$ (43,396)	(18.6)

Other Data:

Pay-TV subscribers, as of period end (in millions)	14.053	14.014	0.039	0.3
Pay-TV subscriber additions, gross (in millions)	0.656	0.624	0.032	5.1
Pay-TV subscriber additions, net (in millions)	(0.044)	(0.078)	0.034	43.6
Pay-TV average monthly subscriber churn rate	1.66%	1.67%	(0.01)%	(0.6)
Pay-TV average subscriber acquisition cost per subscriber (“Pay-TV SAC”)	\$ 846	\$ 883	\$ (37)	(4.2)
Pay-TV average monthly revenue per subscriber (“Pay-TV ARPU”)	\$ 84.15	\$ 80.81	\$ 3.34	4.1
EBITDA	\$ 750,475	\$ 829,391	\$ (78,916)	(9.5)

* Percentage is not meaningful.

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Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

Pay-TV subscribers. DISH lost approximately 44,000 net Pay-TV subscribers during the three months ended June 30, 2014, compared to a loss of approximately 78,000 net Pay-TV subscribers during the same period in 2013. The decrease in the loss of net Pay-TV subscribers versus the same period in 2013 primarily resulted from higher gross new Pay-TV subscriber activations.

During the three months ended June 30, 2014, DISH activated approximately 656,000 gross new Pay-TV subscribers compared to approximately 624,000 gross new Pay-TV subscribers during the same period in 2013, an increase of 5.1%. This increase was driven primarily by increased advertising. Although our gross new Pay-TV subscriber activations increased, our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing, discounted promotional offers, and more aggressive retention efforts in a mature market. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Our Pay-TV churn rate for the three months ended June 30, 2014 was 1.66% compared to 1.67% for the same period in 2013. While our Pay-TV churn rate was similar compared to the same period in 2013, our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, service interruptions driven by programming disputes, and our ability to control piracy and other forms of fraud.

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

Subscriber-related revenue. “Subscriber-related revenue” totaled \$3.556 billion for the three months ended June 30, 2014, an increase of \$144 million or 4.2% compared to the same period in 2013. The change in “Subscriber-related revenue” from the same period in 2013 was primarily related to the increase in Pay-TV ARPU discussed below.

Pay-TV ARPU. Pay-TV ARPU was \$84.15 during the three months ended June 30, 2014 versus \$80.81 during the same period in 2013. The \$3.34 or 4.1% increase in Pay-TV ARPU was primarily attributable to the programming package price increases in February 2014 and higher hardware related revenue.

Subscriber-related expenses. “Subscriber-related expenses” totaled \$2.043 billion during the three months ended June 30, 2014, an increase of \$149 million or 7.9% compared to the same period in 2013. The increase in “Subscriber-related expenses” was primarily attributable to higher pay-TV programming costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates. “Subscriber-related expenses” represented 57.4% and 55.5% of “Subscriber-related revenue” during the three months ended June 30, 2014 and 2013, respectively. The change in this expense to revenue ratio primarily resulted from higher pay-TV programming costs, discussed above.

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

Satellite and transmission expenses. “Satellite and transmission expenses” totaled \$179 million during the three months ended June 30, 2014, an increase of \$45 million or 33.5% compared to the same period in 2013. The increase in “Satellite and transmission expenses” was primarily related to an increase in transponder capacity leased from

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

EchoStar as a result of the Satellite and Tracking Stock Transaction during the first quarter 2014. See Note 10 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled \$422 million for the three months ended June 30, 2014, an increase of \$27 million or 6.8% compared to the same period in 2013. This change was primarily attributable to higher gross new Pay-TV subscriber activations.

Pay-TV SAC. Pay-TV SAC was \$846 during the three months ended June 30, 2014 compared to \$883 during the same period in 2013, a decrease of \$37 or 4.2%. This change was primarily attributable to a decrease in hardware costs per activation. The decrease in hardware costs per activation was driven by a reduction in manufacturing costs for new Hopper with Sling receiver systems and a higher percentage of remanufactured receivers being activated on new subscriber accounts.

During the three months ended June 30, 2014 and 2013, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled \$132 million and \$154 million, respectively. This decrease in capital expenditures under our lease program for new Pay-TV subscribers resulted primarily from a decrease in hardware costs per activation as discussed above.

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

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the three months ended June 30, 2014 and 2013, these amounts totaled \$19 million and \$32 million, respectively.

Our "Subscriber acquisition costs" and "Pay-TV SAC" may materially increase in the future to the extent that we transition to newer technologies, introduce more aggressive promotions, or provide greater equipment subsidies.

Depreciation and amortization. "Depreciation and amortization" expense totaled \$248 million during the three months ended June 30, 2014, a \$20 million or 8.9% increase compared to the same period in 2013. The increase in "Depreciation and amortization" expense was from equipment leased to subscribers primarily related to subscriber activations with new Hopper receiver systems, partially offset by a decrease in depreciation expense related to certain satellites transferred to EchoStar as part of the Satellite and Tracking Stock Transaction.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled \$212 million during the three months ended June 30, 2014, a decrease of \$35 million or 14.3% compared to the same period in 2013. The three months ended June 30, 2013 was negatively impacted by \$30 million in premiums, interest expense and deferred financing costs related to the issuance and redemption of our 6 1/4% Senior Notes due 2023 and our 5% Senior Notes due 2017. The three months ended June 30, 2014 was positively impacted by the debt redemption of our 7% Senior Notes due 2013.

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

Earnings before interest, taxes, depreciation and amortization. EBITDA was \$750 million during the three months ended June 30, 2014, a decrease of \$79 million or 9.5% compared to the same period in 2013. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended June 30,	
	2014	2013
	(In thousands)	
EBITDA	\$ 750,475	\$ 829,391
Interest expense, net	(202,075)	(237,719)
Income tax (provision) benefit, net	(109,532)	(129,625)
Depreciation and amortization	(248,382)	(228,165)
Net income (loss) attributable to DISH DBS	<u>\$ 190,486</u>	<u>\$ 233,882</u>

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

Income tax (provision) benefit, net. Our income tax provision was \$110 million during the three months ended June 30, 2014, a decrease of \$20 million compared to the same period in 2013. This change was primarily related to the decrease in "Income (loss) before income taxes."

Net income (loss) attributable to DISH DBS. Net income attributable to DISH DBS was \$190 million during the three months ended June 30, 2014, a decrease of \$43 million compared to the same period in 2013. This decrease was primarily attributable to the changes in revenue and expenses discussed above.

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

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

Statements of Operations Data	For the Six Months Ended June 30,		Variance	
	2014	2013	Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 7,029,161	\$ 6,722,588	\$ 306,573	4.6
Equipment sales and other revenue	47,507	48,568	(1,061)	(2.2)
Equipment sales, services and other revenue - EchoStar	32,107	10,024	22,083	*
Total revenue	7,108,775	6,781,180	327,595	4.8
Costs and Expenses:				
Subscriber-related expenses	4,058,177	3,780,639	277,538	7.3
% of Subscriber-related revenue	57.7%	56.2%		
Satellite and transmission expenses	326,787	254,803	71,984	28.3
% of Subscriber-related revenue	4.6%	3.8%		
Cost of sales - equipment, services and other	56,211	40,716	15,495	38.1
Subscriber acquisition costs	830,821	825,213	5,608	0.7
General and administrative expenses	357,965	330,874	27,091	8.2
% of Total revenue	5.0%	4.9%		
Depreciation and amortization	473,348	433,661	39,687	9.2
Total costs and expenses	6,103,309	5,665,906	437,403	7.7
Operating income (loss)	1,005,466	1,115,274	(109,808)	(9.8)
Other Income (Expense):				
Interest income	18,864	16,950	1,914	11.3
Interest expense, net of amounts capitalized	(424,256)	(443,227)	18,971	4.3
Other, net	745	193	552	*
Total other income (expense)	(404,647)	(426,084)	21,437	5.0
Income (loss) before income taxes	600,819	689,190	(88,371)	(12.8)
Income tax (provision) benefit, net	(225,414)	(249,077)	23,663	9.5
Effective tax rate	37.5%	36.1%		
Net income (loss)	375,405	440,113	(64,708)	(14.7)
Less: Net income (loss) attributable to noncontrolling interest	(5,233)	—	(5,233)	*
Net income (loss) attributable to DISH DBS	\$ 380,638	\$ 440,113	\$ (59,475)	(13.5)
Other Data:				
Pay-TV subscribers, as of period end (in millions)	14.053	14.014	0.039	0.3
Pay-TV subscriber additions, gross (in millions)	1.295	1.278	0.017	1.3
Pay-TV subscriber additions, net (in millions)	(0.004)	(0.042)	0.038	90.5
Pay-TV average monthly subscriber churn rate	1.54%	1.57%	(0.03)%	(1.9)
Pay-TV average subscriber acquisition cost per subscriber ("Pay-TV SAC")	\$ 854	\$ 882	\$ (28)	(3.2)
Pay-TV average monthly revenue per subscriber ("Pay-TV ARPU")	\$ 83.25	\$ 79.63	\$ 3.62	4.5
EBITDA	\$ 1,484,792	\$ 1,549,128	\$ (64,336)	(4.2)

* Percentage is not meaningful.

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

Pay-TV subscribers. DISH lost approximately 4,000 net Pay-TV subscribers during the six months ended June 30, 2014, compared to a loss of approximately 42,000 net Pay-TV subscribers during the same period in 2013. The decrease in the loss of net Pay-TV subscribers versus the same period in 2013 primarily resulted from lower Pay-TV churn and higher gross new Pay-TV subscriber activations.

Our Pay-TV churn rate for the six months ended June 30, 2014 was 1.54% compared to 1.57% for the same period in 2013. While our Pay-TV churn rate improved compared to the same period in 2013, our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, service interruptions driven by programming disputes, and our ability to control piracy and other forms of fraud.

During the six months ended June 30, 2014, DISH activated approximately 1.295 million gross new Pay-TV subscribers compared to approximately 1.278 million gross new Pay-TV subscribers during the same period in 2013, an increase of 1.3%. Although our gross new Pay-TV subscriber activations increased, our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing, discounted promotional offers, and more aggressive retention efforts in a mature market. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Subscriber-related revenue. “Subscriber-related revenue” totaled \$7.029 billion for the six months ended June 30, 2014, an increase of \$307 million or 4.6% compared to the same period in 2013. The change in “Subscriber-related revenue” from the same period in 2013 was primarily related to the increase in Pay-TV ARPU discussed below.

Pay-TV ARPU. Pay-TV ARPU was \$83.25 during the six months ended June 30, 2014 versus \$79.63 during the same period in 2013. The \$3.62 or 4.5% increase in Pay-TV ARPU was primarily attributable to the programming package price increases in February 2014 and 2013 and higher hardware related revenue.

Subscriber-related expenses. “Subscriber-related expenses” totaled \$4.058 billion during the six months ended June 30, 2014, an increase of \$278 million or 7.3% compared to the same period in 2013. The increase in “Subscriber-related expenses” was primarily attributable to higher pay-TV programming costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates. “Subscriber-related expenses” represented 57.7% and 56.2% of “Subscriber-related revenue” during the six months ended June 30, 2014 and 2013, respectively. The change in this expense to revenue ratio primarily resulted from higher pay-TV programming costs, discussed above.

Satellite and transmission expenses. “Satellite and transmission expenses” totaled \$327 million during the six months ended June 30, 2014, an increase of \$72 million or 28.3% compared to the same period in 2013. The increase in “Satellite and transmission expenses” was primarily related to an increase in transponder capacity leased from EchoStar as a result of the Satellite and Tracking Stock Transaction during the first quarter 2014. See Note 10 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Pay-TV SAC. Pay-TV SAC was \$854 during the six months ended June 30, 2014 compared to \$882 during the same period in 2013, a decrease of \$28 or 3.2%. This change was primarily attributable to a decrease in hardware costs per activation, partially offset by an increase in advertising costs. The decrease in hardware costs per activation was driven by a reduction in manufacturing costs for new Hopper with Sling receiver systems and a higher percentage of remanufactured receivers being activated on new subscriber accounts.

During the six months ended June 30, 2014 and 2013, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled \$273 million and \$301 million, respectively. This decrease in capital expenditures under our lease program for new Pay-TV subscribers resulted primarily from a decrease in hardware costs per activation as discussed above.

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Item 2. MANAGEMENT’S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS - Continued

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the six months ended June 30, 2014 and 2013, these amounts totaled \$50 million and \$77 million, respectively.

Depreciation and amortization. “Depreciation and amortization” expense totaled \$473 million during the six months ended June 30, 2014, a \$40 million or 9.2% increase compared to the same period in 2013. The increase in “Depreciation and amortization” expense was from equipment leased to subscribers primarily related to subscriber activations with new Hopper receiver systems, partially offset by a decrease in depreciation expense related to certain satellites transferred to EchoStar as part of the Satellite and Tracking Stock Transaction.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$424 million during the six months ended June 30, 2014, a decrease of \$19 million or 4.3% compared to the same period in 2013. The six months ended June 30, 2013 was negatively impacted by \$30 million in premiums, interest expense and deferred financing costs related to the issuance and redemption of our 6 1/4% Senior Notes due 2023 and our 5% Senior Notes due 2017. The six months ended June 30, 2014 was positively impacted by the debt redemption of our 7% Senior Notes due 2013.

Earnings before interest, taxes, depreciation and amortization. EBITDA was \$1.485 billion during the six months ended June 30, 2014, a decrease of \$64 million or 4.2% compared to the same period in 2013. The following table reconciles EBITDA to the accompanying financial statements.

	For the Six Months Ended June 30,	
	2014	2013
	(In thousands)	
EBITDA	\$ 1,484,792	\$ 1,549,128
Interest expense, net	(405,392)	(426,277)
Income tax (provision) benefit, net	(225,414)	(249,077)
Depreciation and amortization	(473,348)	(433,661)
Net income (loss) attributable to DISH DBS	<u>\$ 380,638</u>	<u>\$ 440,113</u>

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

Income tax (provision) benefit, net. Our income tax provision was \$225 million during the six months ended June 30, 2014, a decrease of \$24 million compared to the same period in 2013. This change was primarily related to the decrease in “Income (loss) before income taxes.”

Net income (loss) attributable to DISH DBS. Net income attributable to DISH DBS was \$381 million during the six months ended June 30, 2014, a decrease of \$59 million compared to the same period in 2013. This decrease was primarily attributable to the changes in revenue and expenses discussed above.

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Item 4. CONTROLS AND PROCEDURES

Conclusion regarding disclosure controls and procedures

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

Changes in internal control over financial reporting

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

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 8 “*Commitments and Contingencies — Litigation*” in the Notes to our Condensed Consolidated Financial Statements for information regarding certain legal proceedings in which we are involved.

Item 1A. RISK FACTORS

Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014 include a detailed discussion of our risk factors.

Item 6. EXHIBITS

(a) Exhibits.

- | | |
|-------|---|
| 31.1o | Section 302 Certification of Chief Executive Officer. |
| 31.2o | Section 302 Certification of Chief Financial Officer. |
| 32.1o | Section 906 Certification of Chief Executive Officer. |
| 32.2o | Section 906 Certification of Chief Financial Officer. |
| 101o | The following materials from the Quarterly Report on Form 10-Q of DISH DBS for the quarter ended June 30, 2014, filed on August 7, 2014, formatted in eXtensible Business Reporting Language (“XBRL”): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements. |

o Filed herewith.

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SIGNATURES

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

DISH DBS CORPORATION

By: /s/ Joseph P. Clayton
Joseph P. Clayton
President and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ Robert E. Olson
Robert E. Olson
Executive Vice President and Chief Financial Officer

Date: August 7, 2014

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Joseph P. Clayton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DISH DBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ Joseph P. Clayton

President and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Section 302 Certification

I, Robert E. Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DISH DBS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2014

/s/ Robert E. Olson

Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2014

Name: /s/ Joseph P. Clayton

Title: President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 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, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version 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.

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2014 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 7, 2014

Name: /s/ Robert E. Olson

Title: Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 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, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version 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.
