UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015.

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission File Number: 333-179121

Hughes Satellite Systems Corporation

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

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

As of April 29, 2015, the Registrant's outstanding common stock consisted of 1,000 shares of common stock, $0.01 par value per share.

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

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

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

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act of 1934, as amended including but not limited to statements about our estimates, expectations, plans, objectives, strategies, and financial condition, expected impact of regulatory developments and legal proceedings, opportunities in our industries and businesses and other trends and projections for the next fiscal quarter and beyond. All statements, other than statements of historical facts, may be forward-looking statements. Forward-looking statements may also be identified by words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "estimate," "expect," "predict," "continue," "future," "will," "would," "could," "can," "may" and similar terms. These forward-looking statements are based on information available to us as of the date of this Form 10-Q and represent management's current views and assumptions. Forward-looking statements are not guarantees of future performance, events or results and involve potential known and unknown risks, uncertainties and other factors, many of which may be beyond our control and may pose a risk to our operating and financial condition. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors including, but not limited to:

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

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

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks and uncertainties described herein and should not place undue reliance on any forward-looking statements. We do not undertake, and specifically disclaim, any obligation to publicly release the results of any revisions that may be made to any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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Item 1. FINANCIAL STATEMENTS

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

	As of	
	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets		
Current Assets:		
Cash and cash equivalents	$ 219,393	$ 225,557
Marketable investment securities	432,647	394,992
Trade accounts receivable, net of allowance for doubtful accounts of $11,627 and $11,950, respectively	139,175	140,193
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	18,470	19,249
Deferred tax assets	158,107	157,949
Inventory	62,656	51,597
Prepaids and deposits	34,793	30,938
Advances to affiliates, net	712	736
Other current assets	7,503	7,625
Total current assets	1,073,456	1,028,836
Noncurrent Assets:		
Restricted cash and cash equivalents	18,698	17,652
Property and equipment, net of accumulated depreciation of $1,873,371 and $2,053,636, respectively	2,270,021	2,274,568
Regulatory authorizations	471,658	471,658
Goodwill	504,173	504,173
Other intangible assets, net	145,462	157,100
Other investments	34,375	32,969
Other noncurrent assets, net	174,781	177,628
Total noncurrent assets	3,619,168	3,635,748
Total assets	$ 4,692,624	$ 4,664,584
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 103,289	$ 93,783
Trade accounts payable - DISH Network	19	18
Current portion of long-term debt and capital lease obligations	28,895	39,746
Advances from affiliates, net	7,740	23,792
Deferred revenue and prepayments	53,441	61,063
Accrued interest	43,756	8,890
Accrued compensation	20,885	20,128
Accrued expenses and other	70,314	82,533
Total current liabilities	328,339	329,953
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of current portion	2,318,526	2,325,417
Deferred tax liabilities	556,702	539,560
Advances from affiliates	8,385	8,352
Other noncurrent liabilities	89,475	91,705
Total noncurrent liabilities	2,973,088	2,965,034
Total liabilities	3,301,427	3,294,987
Commitments and Contingencies (Note 12)		
Shareholders' Equity:		
Preferred Stock, $0.001 par value; 1,000,000 shares authorized:		
Hughes Retail Preferred Tracking Stock, $0.001 par value; 300 shares authorized, 81.128 shares issued and outstanding at each of March 31, 2015 and December 31, 2014	—	—
Common stock, $0.01 par value; 1,000,000 shares authorized, 1,000 shares issued and outstanding at each of March 31, 2015 and December 31, 2014	—	—
Additional paid-in capital	1,362,500	1,361,599
Accumulated other comprehensive loss	(40,023)	(31,346)
Accumulated earnings	58,338	29,331
Total HSS shareholders' equity	1,380,815	1,359,584
Noncontrolling interests	10,382	10,013
Total shareholders' equity	1,391,197	1,369,597
Total liabilities and shareholders' equity	$ 4,692,624	$ 4,664,584

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

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands)
(Unaudited)

	For the Three Months Ended March 31, 2015	2014
Revenue:		
Services and other revenue - other	$ 269,679	$ 261,667
Services and other revenue - DISH Network	131,441	99,244
Equipment revenue - other	48,051	41,832
Equipment revenue - DISH Network	1,063	11,570
Total revenue	450,234	414,313
Costs and Expenses:		
Cost of sales - services and other (exclusive of depreciation and amortization)	129,918	132,346
Cost of sales - equipment (exclusive of depreciation and amortization)	45,211	47,406
Selling, general and administrative expenses	70,545	63,271
Research and development expenses	5,554	4,492
Depreciation and amortization	108,014	108,185
Total costs and expenses	359,242	355,700
Operating income	90,992	58,613
Other Income (Expense):		
Interest income	1,099	955
Interest expense, net of amounts capitalized	(45,086)	(48,747)
Equity in earnings of unconsolidated affiliate	1,397	770
Other, net (includes reclassification of realized (gains) losses on available- for-sale ("AFS") securities out of accumulated other comprehensive loss of zero and $8, respectively)	(1,053)	231
Total other expense, net	(43,643)	(46,791)
Income before income taxes	47,349	11,822
Income tax provision, net	(17,973)	(201)
Net income	29,376	11,621
Less: Net income attributable to noncontrolling interests	369	299
Net income attributable to HSS	$ 29,007	$ 11,322
Comprehensive Income:		
Net income	$ 29,376	$ 11,621
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(10,234)	2,190
Unrealized gains on AFS securities and other	1,557	806
Recognition of previously unrealized gains on AFS securities included in net income	—	(8)
Total other comprehensive income (loss), net of tax	(8,677)	2,988
Comprehensive income	20,699	14,609
Less: Comprehensive income attributable to noncontrolling interests	369	534
Comprehensive income attributable to HSS	$ 20,330	$ 14,075

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

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HUGHES SATELLITE SYSTEMS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	For the Three Months Ended March 31, 2015	2014
Cash Flows from Operating Activities:		
Net income	$ 29,376	$ 11,621
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	108,014	108,185
Equity in earnings of unconsolidated affiliate	(1,397)	(770)
Amortization of debt issuance costs	1,521	1,413
Realized gains on marketable investment securities and other investments, net	—	(8)
Stock-based compensation	1,220	619
Deferred tax expense (benefit)	17,035	(2,956)
Changes in current assets and current liabilities, net	(9,568)	40,726
Changes in noncurrent assets and noncurrent liabilities, net	2,504	(5,739)
Other, net	(1,824)	2,930
Net cash flows from operating activities	146,881	156,021
Cash Flows from Investing Activities:		
Purchases of marketable investment securities	(90,594)	(52,678)

Sales and maturities of marketable investment securities	52,683	36,271
Purchases of property and equipment	(92,310)	(46,001)
Changes in restricted cash and cash equivalents	(1,046)	(3,011)
Other, net	(4,953)	(4,723)
Net cash flows from investing activities	(136,220)	(70,142)
Cash Flows from Financing Activities:		
Repayment of long-term debt and capital lease obligations	(15,038)	(17,193)
Net proceeds from issuance of Hughes Retail Preferred Tracking Stock (Note 2)	—	11,404
Other	779	19
Net cash flows from financing activities	(14,259)	(5,770)
Effect of exchange rates on cash and cash equivalents	(2,566)	990
Net increase (decrease) in cash and cash equivalents	(6,164)	81,099
Cash and cash equivalents, beginning of period	225,557	163,709
Cash and cash equivalents, end of period	$ 219,393	$ 244,808
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest (including capitalized interest)	$ 10,820	$ 11,794
Capitalized interest	$ 2,355	$ —
Cash paid for income taxes	$ 975	$ 2,424
Satellites and other assets financed under capital lease obligations	$ 160	$ 663
Reduction of capital lease obligation for AMC-15 and AMC-16 satellites	$ 4,500	$ —
Increase in capital expenditures included in accounts payable, net	$ 4,414	$ 1,151
Net noncash assets transferred from DISH Network in exchange for HSS Tracking Stock (Note 2)	$ —	$ 71,048
Net assets transferred from EchoStar related to Tracking Stock Transaction (Note 2)	$ —	$ 315,643

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

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

Note 1. Organization and Business Activities

Principal Business

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

We currently operate in two business segments.

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

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

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

Note 2. Hughes Retail Preferred Tracking Stock

Satellite and Tracking Stock Transaction

On February 20, 2014, HSS and EchoStar entered into agreements with certain subsidiaries of DISH Network pursuant to which, effective March 1, 2014, (i) EchoStar issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the “EchoStar Tracking Stock”) and HSS issued shares of its newly authorized Hughes Retail Preferred Tracking Stock (the “HSS Tracking Stock” and together with the EchoStar Tracking Stock, the “Tracking Stock”) to DISH Network in exchange for five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV), including the assumption of related in-orbit incentive obligations, and $11.4 million in cash and (ii) DISH Network began receiving certain satellite services on these five satellites from us (the “Satellite and Tracking Stock Transaction”). Immediately upon receipt of net assets (consisting of two of the five satellites and related in-orbit incentive obligations) from DISH Network in exchange for EchoStar Tracking Stock, EchoStar transferred such net assets to us. The Tracking Stock tracks the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the “Hughes Retail Group” or “HRG”) HSS has adopted a policy statement (the “Policy Statement”) setting forth management and allocation policies for purposes of attributing all of the business and operations of HSS to either the Hughes Retail Group or the “HSSC Group,” which is defined as all other operations of HSS, including all existing and future businesses, other than the Hughes Retail Group. Among other things, the Policy Statement governs how assets, liabilities, revenue and expenses are attributed or allocated between HRG and the HSSC Group. Such attributions and allocations generally do not affect the amounts reported in our consolidated financial statements, except for the attribution of shareholders’ equity and net income or loss between the holders of Tracking Stock and common stock. The Policy Statement also does not significantly affect the way that management assesses operating performance and allocates resources within our Hughes segment.

We provide unaudited attributed financial information for HRG and the HSSC Group in an exhibit to our periodic reports on Form 10-Q and Form 10-K. See Note 2 to our consolidated financial statements included in our Form 10-K for the year ended December 31, 2014 for a description of the rights and obligations of EchoStar, HSS and DISH Network with respect to the Tracking Stock, the initial recording of the Satellite and Tracking Stock Transaction and the satellites received from DISH Network as part of the Satellite and Tracking Stock Transaction. Set forth below is information about certain terms of the Tracking Stock.

Description of the Tracking Stock

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

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these financial statements do not include all of the information and notes required for complete financial statements prepared in accordance with GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the consolidated financial statements and notes thereto included in our Form 10-K for the year ended December 31, 2014.

Principles of Consolidation

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

Use of Estimates

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

Fair Value Measurements

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

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;

- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with characteristics of the asset or liability that would be considered by market participants in a transaction to purchase or sell the asset or liability.

Transfers between levels in the fair value hierarchy are considered to occur at the beginning of the quarterly accounting period. There were no transfers between levels for each of the three months ended March 31, 2015 or 2014.

As of March 31, 2015 and December 31, 2014, the carrying amounts of our cash and cash equivalents, trade accounts receivable, net of allowance for doubtful accounts, accounts payable and accrued liabilities were equal to or approximated fair value due to their short-term nature or proximity to current market rates.

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

Fair values for our publicly traded long-term debt are based on quoted market prices in less active markets and are

categorized as Level 2 measurements. The fair values of our privately held debt are Level 2 measurements and are estimated to approximate their carrying amounts based on the proximity of their interest rates to current market rates. As of March 31, 2015 and December 31, 2014, the fair values of our in-orbit incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of $85.1 million and $85.8 million, respectively. We use fair value measurements from time-to-time in connection with impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Research and Development

The portion of our cost of sales, consisting of research and development funded by customers was approximately $5.7 million for each of the three months ended March 31, 2015 and 2014. In addition, we incurred $5.6 million and $4.5 million for the three months ended March 31, 2015 and 2014, respectively, for research and development expenses not funded by customers, which has been reflected as such within our condensed consolidated statements of operations and comprehensive income (loss).

Capitalized Software Costs

Development costs related to software for internal use and externally marketed software are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Capitalized costs of internal-use software are included in “Property and equipment, net” and capitalized costs of externally marketed software are included in “Other noncurrent assets, net” in our condensed consolidated balance sheets. Externally marketed software is generally included in the equipment we sell to customers. We conduct software program reviews for externally marketed capitalized software costs at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs are recoverable and to ensure that costs associated with programs that are no longer generating revenue are expensed. As of March 31, 2015 and December 31, 2014, the net carrying amount of externally marketed software was $51.9 million and $48.9 million, respectively. We capitalized $5.0 million of costs related to development of externally marketed software for each of the three months ended March 31, 2015 and 2014. For the three months ended March 31, 2015 and 2014, we recorded $1.9 million and $0.8 million, respectively, of amortization expense relating to our externally marketed software.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). It outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." ASU 2014-09 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods, and may be applied either retrospectively to prior periods or as a cumulative-effect adjustment as of the date of adoption. Early adoption was not permitted. In April 2015, the FASB proposed Accounting Standards Update that would defer for one year the effective date of the new revenue standard and also proposed to permit entities to early adopt the standard. Management has not selected a transition method and is assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). This standard amends the consolidation guidance for variable interest entities ("VIEs") and general partners' investments in limited partnerships and similar entities. ASU 2015-02 is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods, and requires either a retrospective or a modified retrospective approach as of the beginning of the fiscal year of adoption. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

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In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, ("ASU 2015-03"). This standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. ASU 2015-03 is effective for annual periods beginning after December 15, 2015 and interim periods within those annual periods, and requires a retrospective approach to adoption. Early adoption is permitted. Based on our preliminary assessment, upon adoption of this standard, we expect to present unamortized deferred costs in other noncurrent assets with a carrying amount of $37.5 million and $39.1 million as of March 31, 2015 and December 31, 2014, respectively, as a reduction of our long-term debt balances. We do not expect to adopt this standard prior to the effective date.

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

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

Accumulated other comprehensive loss includes cumulative foreign currency translation losses of $39.4 million and $29.2 million as of March 31, 2015 and December 31, 2014, respectively.

Note 5. Investment Securities

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

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Marketable investment securities—current:		
Corporate bonds	$ 406,373	$ 367,291
Strategic equity securities	13,815	12,669
Other	12,459	15,032
Total marketable investment securities—current	432,647	394,992
Other investments—noncurrent:		
Cost method	15,438	15,438
Equity method	18,937	17,531
Total other investments—noncurrent	34,375	32,969
Total marketable and other investments	$ 467,022	$ 427,961

Marketable Investment Securities

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

Corporate Bonds

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

Strategic Equity Securities

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

Other

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

Other Investments - Noncurrent

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

Unrealized Gains (Losses) on Marketable Investment Securities

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
		(In thousands)		
As of March 31, 2015				
Debt securities:				
Corporate bonds	$ 406,727	$ 61	$ (415)	$ 406,373
Other	12,458	1	—	12,459
Equity securities - strategic	14,176	1,574	(1,935)	13,815
Total marketable investment securities	$ 433,361	$ 1,636	$ (2,350)	$ 432,647
As of December 31, 2014				
Debt securities:				
Corporate bonds	$ 367,949	$ 8	$ (666)	$ 367,291
Other	15,031	1	—	15,032
Equity security - strategic	14,176	1,718	(3,225)	12,669
Total marketable investment securities	$ 397,156	$ 1,727	$ (3,891)	$ 394,992

As of March 31, 2015, restricted and non-restricted marketable investment securities included debt securities of $371.8 million with contractual maturities of one year or less and $47.0 million with contractual maturities greater than one year. We may realize proceeds from certain investments prior to their contractual maturity as a result of our ability to sell these securities prior to their contractual maturity.

Marketable Investment Securities in a Loss Position

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

	As of March 31, 2015		As of December 31, 2014	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
		(In thousands)		
Less than 12 months	$ 327,266	$ (2,349)	$ 357,887	$ (3,891)
12 months or more	4,000	(1)	—	—
Total	$ 331,266	$ (2,350)	$ 357,887	$ (3,891)

Sales of Marketable Investment Securities

We recognized minimal gains from the sales of our available-for-sale marketable investment securities for each of the three months ended March 31, 2015 and 2014. We recognized minimal and zero losses from the sales of our available-for-sale marketable investment securities for the three months ended March 31, 2015 and 2014, respectively.

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Proceeds from sales of our available-for-sale marketable investment securities totaled $7.5 million and zero for the three months ended March 31, 2015 and 2014, respectively.

Fair Value Measurements

Our current marketable investment securities are measured at fair value on a recurring basis as summarized in the table below. As of March 31, 2015 and December 31, 2014, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

	As of					
	March 31, 2015			December 31, 2014		
	Total	Level 1	Level 2	Total	Level 1	Level 2
	(In thousands)					
Cash equivalents	$ 162,433	$ 30,635	$ 131,798	$ 148,645	$ 18,926	$ 129,719
Debt securities:						
Corporate bonds	$ 406,373	$ —	$ 406,373	$ 367,291	$ —	$ 367,291
Other	12,459	—	12,459	15,032	—	15,032
Equity securities - strategic	13,815	13,815	—	12,669	12,669	—
Total marketable investment securities	$ 432,647	$ 13,815	$ 418,832	$ 394,992	$ 12,669	$ 382,323

Note 6. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Trade accounts receivable	$ 126,302	$ 135,609
Contracts in process, net	24,500	16,534
Total trade accounts receivable	150,802	152,143
Allowance for doubtful accounts	(11,627)	(11,950)
Trade accounts receivable - DISH Network	18,470	19,249
Total trade accounts receivable, net	$ 157,645	$ 159,442

As of March 31, 2015 and December 31, 2014, progress billings offset against contracts in process amounted to $2.9 million and $2.5 million, respectively.

Note 7. Inventory

Our inventory consisted of the following:

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Finished goods	$ 48,127	$ 39,495
Raw materials	5,654	5,170
Work-in process	8,875	6,932
Total inventory	$ 62,656	$ 51,597

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Note 8. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of	
		March 31, 2015	December 31, 2014
		(In thousands)	
Land	-	$ 12,086	$ 12,075
Buildings and improvements	1 - 30	73,594	73,191
Furniture, fixtures, equipment and other	1 - 12	342,011	339,330
Customer rental equipment	2 - 4	527,043	498,181
Satellites - owned	10 - 15	2,381,120	2,381,120
Satellites acquired under capital leases	10 - 15	665,518	935,104
Construction in progress	-	142,020	89,203
Total property and equipment		4,143,392	4,328,204
Accumulated depreciation		(1,873,371)	(2,053,636)
Property and equipment, net		$ 2,270,021	$ 2,274,568

Construction in progress consisted of the following:

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	

Progress amounts for satellite construction, including prepayments under capital leases and launch costs:				
EUTELSAT 65 West A	$	30,600	$	26,049
EchoStar 105/SES-11		62,124		28,470
Other		100		101
Uplinking equipment		26,216		21,124
Other		22,980		13,459
Construction in progress	$	142,020	$	89,203

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

	For the Three Months Ended March 31,			
	2015		2014	
	(In thousands)			
Satellites	$	49,087	$	47,563
Furniture, fixtures, equipment and other		12,217		14,243
Customer rental equipment		30,187		27,892
Buildings and improvements		1,292		1,450
Total depreciation expense	$	92,783	$	91,148

Satellites

As of March 31, 2015, we utilized 18 of our owned and leased satellites in geosynchronous orbit, approximately 22,300 miles above the equator. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite. Two of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over the terms of the satellite service agreements. Three of our satellites are accounted for as operating leases.

Recent Developments

AMC-15 and AMC-16. In August 2014, in connection with the execution of agreements related to EchoStar 105/SES-11, we entered into amendments that extend the terms of our existing agreements with SES for satellite services on AMC-15 and AMC-16. As amended, the term of our agreement for satellite services on certain transponders on AMC-15 was extended from December 2014 through the in-service date of EchoStar 105/SES-11. The amended agreement for the AMC-16 satellite services extends the term for the satellite's entire communications capacity, subject

to available power, for one year following expiration of the initial term in February 2015. The extended terms of these agreements are being accounted for as operating leases.

Satellite Anomalies

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

We have previously disclosed in our financial statements as of and for the year ended December 31, 2014 anomalies in prior years that affect our in-service owned and leased satellites, including EchoStar III, EchoStar VI, EchoStar VIII, EchoStar XII, and AMC-16. We are not aware of any additional anomalies that have occurred with respect to any of our owned or leased satellites in 2015 as of the date of this report that affected the commercial operation of these satellites. EchoStar III and EchoStar VI are fully depreciated and EchoStar III is being used as an in-orbit spare; accordingly, the prior anomalies affecting these satellites have not had a significant effect on our operating results and cash flows. EchoStar XII has experienced several anomalies, which have resulted in a loss of electrical power. Those anomalies have not had a significant adverse impact on service under the related satellite services agreement with DISH Network for EchoStar XII; however, the anomalies have increased the risk of future transponder failures that could result in reductions in our revenue.

Satellite Impairments

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies previously disclosed, may be considered to represent a significant adverse change in the physical condition of a particular satellite. However, based on the redundancy designed within each satellite, certain of these anomalies are not necessarily considered to be significant events that would require a test of recoverability.

Note 9. Goodwill and Other Intangible Assets

Goodwill

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

As of March 31, 2015 and December 31, 2014, all of our goodwill was assigned to reporting units of our Hughes segment. We test this goodwill for impairment annually in the second quarter.

Other Intangible Assets

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

	Weighted Average Useful life (in Years)	As of					
		March 31, 2015			December 31, 2014		
		Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
		(In thousands)					
Customer relationships	8	$ 270,300	$ (168,798)	$ 101,502	$ 270,300	$ (161,762)	$ 108,538
Contract-based	4	64,800	(63,604)	1,196	64,800	(61,810)	2,990
Technology-based	6	51,417	(32,856)	18,561	51,417	(30,714)	20,703
Trademark portfolio	20	29,700	(5,693)	24,007	29,700	(5,321)	24,379
Favorable leases	4	4,707	(4,511)	196	4,707	(4,217)	490
Total other intangible assets.		$ 420,924	$ (275,462)	$ 145,462	$ 420,924	$ (263,824)	$ 157,100

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Amortization expense, including amortization of externally marketed capitalized software, was $15.2 million and $17.0 million for the three months ended March 31, 2015 and 2014, respectively.

Note 10. Debt and Capital Lease Obligations

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

	As of			
	March 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
6 1/2% Senior Secured Notes due 2019	$ 1,100,000	$ 1,203,422	$ 1,100,000	$ 1,177,000
7 5/8% Senior Notes due 2021	900,000	994,500	900,000	994,500
Other	1,777	1,777	1,197	1,197
Subtotal	2,001,777	$ 2,199,699	2,001,197	$ 2,172,697
Capital lease obligations	345,644		363,966	
Total debt and capital lease obligations	2,347,421		2,365,163	
Less: Current portion	(28,895)		(39,746)	
Long-term portion of debt and capital lease obligations	$ 2,318,526		$ 2,325,417	

Note 11. Income Taxes

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

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

Income tax expense was approximately $18.0 million for the three months ended March 31, 2015 compared to $0.2 million for the three months ended March 31, 2014. Our effective income tax rate was 38.0% for the three months ended March 31, 2015 compared to 1.7% for the same period in 2014. The variation in our effective tax rate from the U.S. federal statutory rate for the same period in 2014 was primarily due to lower state effective tax rate.

Note 12. Commitments and Contingencies

Commitments

As of March 31, 2015, our satellite-related obligations were approximately $922.8 million. Our satellite-related obligations primarily include payments pursuant to agreements for the construction of the EUTELSAT 65 West A and EchoStar 105/SES-11 satellites, payments pursuant to launch services contracts, executory costs for our capital lease satellites, costs under satellite service agreements and in-orbit incentives relating to certain satellites, as well as commitments for long term satellite operating leases and satellite service arrangements.

Contingencies

Separation Agreement

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

Litigation

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

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

California Institute of Technology

On October 1, 2013, the California Institute of Technology ("Caltech") filed suit against two of our subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC, as well as against DISH Network, DISH Network L.L.C., and dishNET Satellite Broadband L.L.C., in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833, each of which is entitled "Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes." Caltech asserted that encoding data as specified by the DVB-S2 standard, infringes each of the asserted patents. In the operative Amended Complaint, served on March 6, 2014, Caltech claims that the

Hopper™ set-top box that we design and sell to DISH Network, as well as certain of our Hughes segment's satellite broadband products and services, infringe the asserted patents by implementing the DVB-S2 standard. On September 26, 2014, Caltech requested leave to amend its Amended Complaint to add us and EchoStar Technologies L.L.C. as defendants, as well as to allege that a number of additional set-top boxes infringe the asserted patents. On November 7, 2014, the Court rejected that request. Additionally, on November 4, 2014, the Court ruled that the patent claims at issue in the suit are directed to patentable subject matter. On February 17, 2015, Caltech filed a second complaint in the same district against the same defendants alleging that Hughes' Gen4 HT1000 and HT1100 products infringe the same patents asserted in the first case. We answered that complaint on March 24, 2015. The trial for the first case which was scheduled to commence on April 20, 2015, was vacated by the Court on March 16, 2015 and a new trial date has yet to be set. On May 5, 2015, the Court granted summary judgment for us on a number of issues, finding that Caltech's damages theory improperly apportioned alleged damages, that allegations of infringement against DISH Network, DISH Network L.L.C., and dishNET Satellite Broadband L.L.C. should be dismissed from the case, and affirming that Caltech could not assert infringement under the doctrine of equivalents. The Court also granted motions by Caltech seeking findings that certain of its patents were not indefinite or subject to equitable estoppel. The Court otherwise denied motions for summary judgment, including a motion by Caltech seeking summary judgment of infringement.

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

Elbit

On January 23, 2015, Elbit Systems Land and C4I LTD and Elbit Systems of America Ltd. (together referred to as "Elbit") filed a complaint against our subsidiary Hughes Network Systems LLC, as well as against Black Elk Energy Offshore Operations, LLC, Bluetide Communications, Inc. and Helm Hotels

Group, in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 6,240,073 (the “073 patent”) and 7,245,874 (“874 patent”). The 073 patent is entitled “Reverse Link for a Satellite Communication Network” and the 874 patent is entitled “Infrastructure for Telephony Network.” Elbit alleges that the 073 patent is infringed by broadband satellite systems that practice the Internet Protocol Over Satellite standard. Elbit alleges that the 874 patent is infringed by the manufacture and sale of broadband satellite systems that provide cellular backhaul service via connections to E1 or T1 interfaces at cellular backhaul base stations. On March 16, 2015, the defendants filed motions to dismiss portions of Elbit’s complaint. On April 2, 2015, Elbit responded to those motions to dismiss and further filed an amended complaint removing Helm Hotels Group as a defendant, but making similar allegations against a new defendant Country Home Investments, Inc. On April 20, 2015, defendants filed motions to dismiss portions of Elbit’s amended complaint.

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.

TQ Beta LLC

On June 30, 2014, TQ Beta LLC (“TQ Beta”) filed suit against DISH Network, DISH DBS Corporation, DISH Network L.L.C., as well as us, EchoStar Technologies, L.L.C, and Sling Media, Inc., a subsidiary of EchoStar, in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 7,203,456 (“the ‘456 patent”), which is entitled “Method and Apparatus for Time and Space Domain Shifting of Broadcast Signals.” TQ Beta alleges that the Hopper, Hopper with Sling, ViP 722 and ViP 722k DVR devices, as well as the DISH Anywhere service and DISH Anywhere mobile application, infringe the ‘456 patent, but has not specified the amount of damages that it seeks. TQ Beta is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Trial is set for January 12, 2016.

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

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Other

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

Note 13. Segment Reporting

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

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

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

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

Transactions between segments were not significant for the three months ended March 31, 2015 and 2014.

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

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
For the Three Months Ended March, 31, 2015				
External revenue	$ 324,950	$ 125,198	$ 86	$ 450,234
Intersegment revenue	$ 330	$ 200	$ (530)	$ —
Total revenue	$ 325,280	$ 125,398	$ (444)	$ 450,234
Capital expenditures	$ 64,527	$ 27,783	$ —	$ 92,310

EBITDA	$	91,273	$	106,419	$	1,289	$	198,981
For the Three Months Ended March, 31, 2014								
External revenue	$	314,371	$	99,872	$	—	$	414,243
Intersegment revenue	$	400	$	949	$	(1,279)	$	70
Total revenue	$	314,771	$	100,821	$	(1,279)	$	414,313
Capital expenditures	$	45,972	$	29	$	—	$	46,001
EBITDA	$	81,939	$	84,782	$	779	$	167,500

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The following table reconciles total consolidated EBITDA to reported "Net income attributable to HSS" in our condensed consolidated statements of operations and comprehensive income (loss):

	For the Three Months Ended March 31,			
	2015		2014	
	(In thousands)			
EBITDA	$	198,981	$	167,500
Interest income and expense, net		(43,987)		(47,792)
Depreciation and amortization		(108,014)		(108,185)
Income tax provision, net		(17,973)		(201)
Net income attributable to HSS	$	29,007	$	11,322

Note 14. Related Party Transactions

EchoStar

We and EchoStar have agreed that we shall have the right, but not the obligation, to receive from EchoStar certain corporate services, including among other things: treasury, tax, accounting and reporting, risk management, legal, internal audit, human resources, and information technology. In addition, we occupy certain office space in buildings owned by EchoStar and pay a portion of the taxes, insurance, utilities and maintenance of the premises in accordance with the percentage of the space we occupy. These services are provided at cost. We may terminate a particular service we receive from EchoStar for any reason upon at least 30 days' notice. We recorded expenses for services received from EchoStar of $3.4 million and $2.8 million for the three months ended March 31, 2015 and 2014, respectively.

DISH Network

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

In connection with and following the Spin-off, EchoStar and DISH Network have entered into certain agreements pursuant to which we and EchoStar obtain certain products, services and rights from DISH Network; DISH Network obtains certain products, services and rights from us and EchoStar; and we and DISH Network have indemnified each other against certain liabilities arising from our respective businesses. EchoStar also may enter into additional agreements with DISH Network in the future. Generally, the amounts DISH Network pays for products and services provided under the agreements are based on our cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided.

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

"Services and other revenue — DISH Network"

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

> *EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV.* As part of the Satellite and Tracking Stock Transaction discussed in Note 2, on March 1, 2014, we began providing certain satellite services to DISH Network on the EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. The term of

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each satellite services agreement generally terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each satellite service agreement on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised.

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

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

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

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

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

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

QuetzSat-1 Agreement. During 2008, we entered into a ten-year satellite service agreement with SES Latin America, which provides, among other things, for the provision by SES Latin America to us of service on 32 DBS transponders on the QuetzSat-1 satellite. Concurrently, in 2008, we entered into a transponder service agreement with DISH Network, pursuant to which DISH Network receives satellite services on 24 of the DBS transponders on QuetzSat-1. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter of 2011 at the 67.1 degree west longitude orbital location. In the interim, we provided

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DISH Network with alternate capacity at the 77 degree west longitude orbital location. During the third quarter of 2012, we and DISH Network entered into an agreement pursuant to which we receive certain satellite services from DISH Network on five DBS transponders on the QuetzSat-1 satellite. In January 2013, QuetzSat-1 was moved to the 77 degree west longitude orbital location and DISH Network commenced commercial operations at such location in February 2013.

Under the terms of our contractual arrangements with DISH Network, we began to provide service to DISH Network on the QuetzSat-1 satellite in February 2013 and will continue to provide service through the remainder of the service term. Unless extended or earlier terminated under the terms and conditions of our agreement with DISH Network for the QuetzSat-1 satellite, the initial service term will expire in November 2021. Upon expiration of the initial service term, DISH Network has the option to renew the agreement for the QuetzSat-1 satellite on a year-to-year basis through the end of life of the QuetzSat-1 satellite. Upon an in-orbit failure or end of life of the QuetzSat-1 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew this agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

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

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

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

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

In connection with the Satellite and Tracking Stock Transaction, on February 20, 2014, we amended the TT&C Agreement to cease the provision of TT&C services to DISH Network for the EchoStar I, EchoStar VII, EchoStar X,

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EchoStar XI and EchoStar XIV satellites. Effective March 1, 2014, we provide TT&C services for DISH Network's D-1 satellite.

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

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

Radio Access Network Agreement. On November 29, 2012, HNS entered into an agreement with DISH Network L.L.C. pursuant to which HNS constructed for DISH Network a ground-based satellite radio access network for a fixed fee. The parties mutually agreed to terminate this agreement in the fourth quarter of 2014.

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

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

DBSD North America Agreement. On March 9, 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America, Inc. ("DBSD North America"). Prior to DISH Network's acquisition of DBSD North America and our completion of the Hughes Acquisition, DBSD North America and HNS entered into an agreement pursuant to which our Hughes segment provides, among other things, hosting, operations and maintenance services of DBSD North America's satellite gateway and associated ground infrastructure. This agreement automatically renewed for a one-year period ending on February 15, 2016, and will renew for one additional one-year period unless terminated by DBSD North America upon at least 30 days' notice prior to the expiration of any renewal term.

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

Satellite Services Received from DISH Network. Since the Spin-off, EchoStar entered into certain satellite services agreements pursuant to which, it receives certain satellite services from DISH Network on certain satellites owned or leased by DISH Network. The fees for the services provided under these satellite services agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are providing services on the applicable satellite and the length of the service term. In November 2012, HNS entered

into a satellite service agreement pursuant to which HNS received satellite services from DISH Network on the D-1 satellite for research and development. This agreement terminated on June 30, 2014.

"General and administrative expenses — DISH Network"

Professional Services Agreement. In connection with the Spin-off, EchoStar entered into various agreements with DISH Network including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional Services Agreement. During 2009, EchoStar and DISH Network agreed that EchoStar shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under the Transition Services Agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, EchoStar and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement), receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. A portion of these costs and expenses have been allocated to us in the manner described above under the caption "EchoStar." The Professional Services Agreement automatically renewed on January 1, 2015 for an additional one-year period and renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days' notice. However, either party may terminate the Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice.

Real Estate Lease Agreements. Since the Spin-off, we have entered into lease agreements pursuant to which we lease certain real estate from DISH Network. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and we are responsible for our portion of the taxes, insurance, utilities and maintenance of the premises. The license for certain space at 796 East Utah Valley Drive in American Fork, Utah is for a period ending on July 31, 2017, subject to the terms of the underlying lease agreement. This license was terminated during the fourth quarter of 2014.

"Other agreements — DISH Network"

Tax Sharing Agreement. As a subsidiary of EchoStar, we are an indirect party to EchoStar's tax sharing agreement with DISH Network that was entered into in connection with the Spin-off. This agreement governs EchoStar and DISH Network's respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network, and DISH Network will indemnify EchoStar for such taxes. However, DISH Network is not liable for and will not indemnify EchoStar for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended because of: (i) a direct or indirect acquisition of any of EchoStar's stock, stock options or assets; (ii) any action that EchoStar takes or fails to take; or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

In light of the tax sharing agreement, among other things, and in connection with EchoStar's consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter of 2013, EchoStar and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of EchoStar's consolidated tax returns. As a result, DISH Network agreed to pay EchoStar an amount that includes $93.1 million of the federal tax benefit they received as a result of our operations, which has been classified as other noncurrent assets in our consolidated balance sheets as of March 31, 2015 and December 31, 2014.

Other Agreements

Hughes Systique Corporation ("Hughes Systique")

We contract with Hughes Systique for software development services. In February 2008, Hughes agreed to make available to Hughes Systique a term loan facility of up to $1.5 million. Also in 2008, Hughes funded an initial $0.5 million to Hughes Systique pursuant to the term loan facility. In 2009, HNS funded the remaining $1.0 million of its $1.5 million commitment under the term loan facility. The loans bear interest at 6%, payable annually, and are convertible into shares of Hughes Systique upon non-payment or an event of default. In May 2014, Hughes and Hughes Systique entered into an amendment to the term loan facility to increase the interest rate from 6% to 8%, payable annually, to reflect current market conditions. The loans, as amended, matured on May 1, 2015. In April 2015, Hughes Systique repaid $0.7 million of the outstanding principal of the loan and we extended the maturity date of the loan to May 1, 2016 on the same terms. In addition to our 44.1% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications, Inc. and a member of EchoStar's Board of Directors and his brother, who is the CEO and President of Hughes Systique, in the aggregate, owned approximately 25.9%, on an undiluted basis, of Hughes Systique's outstanding shares as of March 31, 2015. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. We are considered the "primary beneficiary" of Hughes Systique due to, among other factors, our ability to significantly influence and direct the operating and financial decisions of Hughes Systique and our obligation to provide financial support in the form of term loans. As a result, we are required to consolidate Hughes Systique's financial statements in our condensed consolidated financial statements.

Dish Mexico

EchoStar owns 49% of an entity that provides direct-to-home satellite service in Mexico known as Dish Mexico, and we provide certain satellite services to Dish Mexico. We recognized satellite services revenue from Dish Mexico of approximately $5.8 million for each of the three months ended March 31, 2015 and 2014. As of March 31, 2015 and December 31, 2014, we had trade accounts receivable from Dish Mexico of approximately $3.9 million.

Deluxe/EchoStar LLC

We own 50% of Deluxe/EchoStar LLC ("Deluxe"), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. We account for our investment in Deluxe using the equity method. We recognized revenue from Deluxe for transponder services and the sale of broadband equipment of approximately $0.7 million and $0.9 million for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015 and December 31, 2014, we had trade accounts receivable from Deluxe of approximately $0.1 million and $0.2 million, respectively.

Note 15. Supplemental Guarantor and Non-Guarantor Financial Information

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

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

The indentures governing the Notes contain restrictive covenants that, among other things, impose limitations on our ability and the ability of our restricted subsidiaries to pay dividends or make distributions, incur additional debt,

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

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

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

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 157,464	$ 30,188	$ 31,741	$ —	$ 219,393
Marketable investment securities	426,240	6,407	—	—	432,647
Trade accounts receivable, net	—	101,934	37,241	—	139,175
Trade accounts receivable - DISH Network, net	—	18,354	116	—	18,470
Inventory	—	52,084	10,572	—	62,656
Advances to affiliates, net	10	270,431	—	(269,729)	712
Other current assets	11	180,378	24,494	(4,480)	200,403
Total current assets	583,725	659,776	104,164	(274,209)	1,073,456
Restricted cash and cash equivalents	10,559	7,500	639	—	18,698
Property and equipment, net	—	2,217,402	52,619	—	2,270,021
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	145,462	—	—	145,462
Investment in subsidiaries	3,094,800	85,538	—	(3,180,338)	—
Advances to affiliates	700	1,716	—	(2,416)	—
Other noncurrent assets, net	51,829	163,600	8,016	(14,289)	209,156
Total assets	$ 3,741,613	$ 4,256,825	$ 165,438	$ (3,471,252)	$ 4,692,624
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ —	$ 92,156	$ 11,133	$ —	$ 103,289
Trade accounts payable - DISH Network	—	19	—	—	19

Current portion of long-term debt and capital lease obligations	—	26,533	2,362	—	28,895
Advances from affiliates, net	256,154	1,824	19,491	(269,729)	7,740
Accrued expenses and other	104,644	64,113	24,119	(4,480)	188,396
Total current liabilities	360,798	184,645	57,105	(274,209)	328,339
Long-term debt and capital lease obligations, net of current portion	2,000,000	316,977	1,549	—	2,318,526
Advances from affiliates	—	—	10,801	(2,416)	8,385
Other non-current liabilities	—	660,403	63	(14,289)	646,177
Total HSS shareholders' equity (deficit)	1,380,815	3,094,800	85,538	(3,180,338)	1,380,815
Noncontrolling interests	—	—	10,382	—	10,382
Total liabilities and shareholders' equity (deficit)	$ 3,741,613	$ 4,256,825	$ 165,438	$ (3,471,252)	$ 4,692,624

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Condensed Consolidating Balance Sheet as of December 31, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 142,762	$ 51,592	$ 31,203	$ —	$ 225,557
Marketable investment securities	388,440	6,552	—	—	394,992
Trade accounts receivable, net	—	96,881	43,312	—	140,193
Trade accounts receivable - DISH Network, net	—	19,118	131	—	19,249
Advances to affiliates, net	10	191,384	—	(190,658)	736
Inventory	—	42,996	8,601	—	51,597
Other current assets	39	176,657	24,296	(4,480)	196,512
Total current assets	531,251	585,180	107,543	(195,138)	1,028,836
Restricted cash and cash equivalents	9,553	7,500	599	—	17,652
Property and equipment, net	—	2,225,085	49,483	—	2,274,568
Regulatory authorizations	—	471,658	—	—	471,658
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	157,100	—	—	157,100
Investment in subsidiaries	3,038,984	83,644	—	(3,122,628)	—
Advances to affiliates	700	1,716	—	(2,416)	—
Other noncurrent assets, net	39,062	161,763	9,772	—	210,597
Total assets	$ 3,619,550	$ 4,197,819	$ 167,397	$ (3,320,182)	$ 4,664,584
Liabilities and Shareholders' Equity (Deficit)					
Trade accounts payable	$ 295	$ 82,928	$ 10,560	$ —	$ 93,783
Trade accounts payable - DISH Network	—	18	—	—	18
Current portion of long-term debt and capital lease obligations	—	37,979	1,767	—	39,746
Advances from affiliates, net	193,671	1,494	19,285	(190,658)	23,792
Accrued expenses and other	66,000	81,337	29,757	(4,480)	172,614
Total current liabilities	259,966	203,756	61,369	(195,138)	329,953
Long-term debt and capital lease obligations, net of current portion	2,000,000	323,889	1,528	—	2,325,417
Advances from affiliates	—	—	10,768	(2,416)	8,352
Other non-current liabilities	—	631,190	75	—	631,265
Total HSS shareholders' equity (deficit)	1,359,584	3,038,984	83,644	(3,122,628)	1,359,584
Noncontrolling interests	—	—	10,013	—	10,013
Total liabilities and shareholders' equity (deficit)	$ 3,619,550	$ 4,197,819	$ 167,397	$ (3,320,182)	$ 4,664,584

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss) for the Three Months Ended March 31, 2015.
(In thousands)

	HSS	Guarantor	Non-	Eliminations	Total

		Subsidiaries	Guarantor Subsidiaries		
Revenue:					
Services and other revenue - other	$ —	$ 246,411	$ 36,531	$ (13,263)	$ 269,679
Services and other revenue - DISH Network	—	131,262	179	—	131,441
Equipment revenue - other	—	44,854	5,981	(2,784)	48,051
Equipment revenue - DISH Network	—	1,063	—	—	1,063
Total revenue	—	423,590	42,691	(16,047)	450,234
Costs and Expenses:					
Costs of sales - services and other (exclusive of depreciation and amortization)	—	118,087	25,094	(13,263)	129,918
Cost of sales - equipment (exclusive of depreciation and amortization)	—	43,056	4,590	(2,435)	45,211
Selling, general and administrative expenses	—	62,894	8,000	(349)	70,545
Research and development expenses	—	5,554	—	—	5,554
Depreciation and amortization	—	106,392	1,622	—	108,014
Total costs and expenses	—	335,983	39,306	(16,047)	359,242
Operating income	—	87,607	3,385	—	90,992
Other Income (Expense):					
Interest income	833	58	251	(43)	1,099
Interest expense, net of amounts capitalized	(36,553)	(8,935)	359	43	(45,086)
Equity in earnings (losses) of subsidiaries, net	54,186	1,033	—	(55,219)	—
Other, net	(3,750)	5,957	(1,863)	—	344
Total other income (expense), net	14,716	(1,887)	(1,253)	(55,219)	(43,643)
Income (loss) before income taxes	14,716	85,720	2,132	(55,219)	47,349
Income tax benefit (provision), net	14,289	(31,444)	(818)	—	(17,973)
Net income (loss)	29,005	54,276	1,314	(55,219)	29,376
Less: Net income attributable to noncontrolling interests	—	—	369	—	369
Net income (loss) attributable to HSS	$ 29,005	$ 54,276	$ 945	$ (55,219)	$ 29,007
Comprehensive Income (Loss):					
Net income (loss)	$ 29,005	$ 54,276	$ 1,314	$ (55,219)	$ 29,376
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	(10,234)	—	(10,234)
Unrealized gains (losses) on AFS securities and other	1,557	—	—	—	1,557
Equity in other comprehensive loss of subsidiaries, net	(10,232)	(10,234)	—	20,466	—
Total other comprehensive income (loss), net of tax	(8,675)	(10,234)	(10,234)	20,466	(8,677)
Comprehensive income (loss)	20,330	44,042	(8,920)	(34,753)	20,699
Less: Comprehensive income attributable to noncontrolling interests	—	—	369	—	369
Comprehensive income (loss) attributable to HSS	$ 20,330	$ 44,042	$ (9,289)	$ (34,753)	$ 20,330

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Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)
For the Three Months Ended March 31, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 227,607	$ 40,260	$ (6,200)	$ 261,667
Services and other revenue - DISH Network	—	99,079	165	—	99,244
Equipment revenue	—	37,642	7,925	(3,735)	41,832
Equipment revenue - DISH Network	—	11,570	—	—	11,570
Total revenue	—	375,898	48,350	(9,935)	414,313
Costs and Expenses:					
Costs of sales - services and other	—	109,821	28,725	(6,200)	132,346
Cost of sales - equipment	—	45,151	5,585	(3,330)	47,406
Selling, general and administrative expenses	—	55,749	7,927	(405)	63,271
Research and development expenses	—	4,492	—	—	4,492
Depreciation and amortization	—	105,771	2,414	—	108,185
Total costs and expenses	—	320,984	44,651	(9,935)	355,700
Operating income	—	54,914	3,699	—	58,613
Other Income (Expense):					
Interest income	52,634	31	710	(52,420)	955
Interest expense, net of amounts capitalized	(36,445)	(64,099)	(624)	52,421	(48,747)
Equity in earnings (losses) of subsidiaries, net	990	2,075	—	(3,065)	—
Other, net	8	822	171	—	1,001

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Total other income (expense), net	17,187	(61,171)	257	(3,064)	(46,791)
Income (loss) before income taxes	17,187	(6,257)	3,956	(3,064)	11,822
Income tax benefit (provision), net	(5,865)	7,337	(1,673)	—	(201)
Net income	11,322	1,080	2,283	(3,064)	11,621
Less: Net income attributable to noncontrolling interests	—	—	299	—	299
Net income attributable to HSS	$ 11,322	$ 1,080	$ 1,984	$ (3,064)	$ 11,322
Comprehensive Income (Loss):					
Net income	$ 11,322	$ 1,080	$ 2,283	$ (3,064)	$ 11,621
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	—	2,190	—	2,190
Unrealized gains on AFS securities and other	798	—	8	—	806
Recognition of previously unrealized gains on AFS securities included in net income	(8)	—	—	—	(8)
Equity in other comprehensive income (loss) of subsidiaries, net	1,963	1,963	—	(3,926)	—
Total other comprehensive income (loss), net of tax	2,753	1,963	2,198	(3,926)	2,988
Comprehensive income (loss)	14,075	3,043	4,481	(6,990)	14,609
Less: Comprehensive income attributable to noncontrolling interests	—	—	534	—	534
Comprehensive income (loss) attributable to HSS	$ 14,075	$ 3,043	$ 3,947	$ (6,990)	$ 14,075

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Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2015
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 29,005	$ 54,276	$ 1,314	$ (55,219)	$ 29,376
Adjustments to reconcile net income (loss) to net cash flows from operating activities	35,615	23,830	2,841	55,219	117,505
Net cash flows from operating activities	64,620	78,106	4,155	—	146,881
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(90,594)	—	—	—	(90,594)
Sales and maturities of marketable investment securities	52,683	—	—	—	52,683
Purchases of property and equipment	—	(79,881)	(12,429)	—	(92,310)
Changes in restricted cash and cash equivalents	(1,006)	—	(40)	—	(1,046)
Investment in subsidiary	(11,000)	—	—	11,000	—
Other, net	—	(4,953)	—	—	(4,953)
Net cash flows from investing activities	(49,917)	(84,834)	(12,469)	11,000	(136,220)
Cash Flows from Financing Activities:					
Proceeds from capital contribution from parent	—	—	11,000	(11,000)	—
Repayment of long-term debt and capital lease obligations	—	(13,857)	(1,181)	—	(15,038)
Other	(1)	(819)	1,599	—	779
Net cash flows from financing activities	(1)	(14,676)	11,418	(11,000)	(14,259)
Effect of exchange rates on cash and cash equivalents	—	—	(2,566)	—	(2,566)
Net increase (decrease) in cash and cash equivalents	14,702	(21,404)	538	—	(6,164)
Cash and cash equivalents, at beginning of period	142,762	51,592	31,203	—	225,557
Cash and cash equivalents, at end of period	$ 157,464	$ 30,188	$ 31,741	$ —	$ 219,393

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Condensed Consolidating Statement of Cash Flows
For the Three Months Ended March 31, 2014
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows from Operating Activities:					
Net income (loss)	$ 11,322	$ 1,080	$ 2,283	$ (3,064)	$ 11,621
Adjustments to reconcile net income (loss) to net cash flows from operating activities	77,836	67,640	(4,140)	3,064	144,400
Net cash flows from operating activities	89,158	68,720	(1,857)	—	156,021
Cash Flows from Investing Activities:					
Purchases of marketable investment securities	(52,678)	—	—	—	(52,678)
Sales and maturities of marketable investment securities	36,271	—	—	—	36,271
Purchases of property and equipment	—	(44,336)	(1,665)	—	(46,001)
Changes in restricted cash and cash equivalents	(3,072)	—	61	—	(3,011)
Investment in subsidiary	(11,404)	—	—	11,404	—
Other, net	—	(4,723)	—	—	(4,723)
Net cash flows from investing activities	(30,883)	(49,059)	(1,604)	11,404	(70,142)
Cash Flows from Financing Activities:					
Proceeds from issuance of Hughes Retail preferred tracking stock (Note 2)	11,404	11,404	—	(11,404)	11,404
Repayment of long-term debt and capital lease obligations	—	(15,789)	(1,404)	—	(17,193)
Other	—	(1,186)	1,205	—	19
Net cash flows from financing activities	11,404	(5,571)	(199)	(11,404)	(5,770)
Effect of exchange rates on cash and cash equivalents	—	—	990	—	990
Net increase (decrease) in cash and cash equivalents	69,679	14,090	(2,670)	—	81,099
Cash and cash equivalents, at beginning of period	97,674	34,340	31,695	—	163,709
Cash and cash equivalents, at end of period	$ 167,353	$ 48,430	$ 29,025	$ —	$ 244,808

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

Unless the context indicates otherwise, as used herein, the terms "we," "us," "HSS," the "Company" and "our" refer to Hughes Satellite Systems Corporation and its subsidiaries. References to "$" are to United States dollars. The following management's narrative analysis of results of operations should be read in conjunction with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this Quarterly Report on Form 10-Q. This management's narrative analysis is intended to help provide an understanding of our financial condition, changes in our financial condition and our results of operations. Many of the statements in this management's narrative analysis are forward-looking statements that involve assumptions and are subject to risks and uncertainties that are often difficult to predict and beyond our control. Actual results could differ materially from those expressed or implied by such forward-looking statements. See "Disclosure Regarding Forward Looking Statements" in this Quarterly Report on Form 10-Q for further discussion. For a discussion of additional risks, uncertainties and other factors that could impact our results of operations or financial condition, see the caption "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014. Further, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and we undertake no obligation to update them.

EXECUTIVE SUMMARY

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

Highlights from our financial results are as follows:

Consolidated Results of Operations for the Three Months Ended March 31, 2015

- Revenue of $450.2 million
- Operating income of $91.0 million
- Net income attributable to HSS of $29.0 million
- EBITDA of $199.0 million (see non-GAAP reconciliation in Note 13 in the condensed consolidated financial statements.)

Consolidated Financial Condition as of March 31, 2015

- Total assets of $4.69 billion
- Total liabilities of $3.30 billion
- Total shareholders' equity of $1.39 billion
- Cash, cash equivalents and current marketable investment securities of $652.0 million

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and services for the home and office, delivering innovative network technologies, managed services, and solutions for consumers, enterprises and governments.

We continue our efforts in growing our consumer revenue, which depends on our success in adding new subscribers on our Hughes segment's satellite networks. The addition of new subscribers and the performance of our consumer service offering, primarily drive the revenue growth in our consumer business. Service costs related to ongoing support of our direct and indirect customers and partners are typically impacted most significantly by our growth. Long term trends continue to be influenced primarily by the subscriber growth in our consumer business.

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

Additional capacity provided in this business by new satellite launches provides impetus for initial subscriber growth while we manage subscriber growth across our satellite platform. In March 2013, we entered into a contract for the design and construction of the EchoStar XIX satellite, which is expected to be launched in the second half of 2016. EchoStar XIX is a next-generation, high throughput geostationary satellite that will employ a multi-spot beam, bent pipe Ka-band architecture and will provide additional capacity for the Hughes broadband services to the consumer market in North America. The costs associated with the construction and launch of EchoStar XIX are included in "All Other and Eliminations" in our segment reporting.

Our Hughes segment also provides managed services, hardware, and satellite services to large enterprises. In addition, we provide gateway and terminal equipment to customers for mobile satellite systems. The fixed pricing nature of our long term enterprise contracts minimizes significant quarter to quarter fluctuations. We continue to monitor the competitive landscape for pricing in relation to our competitors and alternative technologies. However, the growth of our enterprise businesses relies heavily on global economic conditions.

In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil will provide to Hughes Telecomunicações do Brasil Ltda., our subsidiary, fixed broadband service using the Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. The satellite service agreement requires us to make prepayments during the satellite construction period. The satellite is scheduled to be placed into service in the second quarter of 2016 and will deliver consumer satellite broadband services in Brazil and create a platform to potentially allow for further development of our spectrum in Brazil.

As of March 31, 2015 and December 31, 2014, our Hughes segment had approximately 998,000 and 977,000 broadband subscribers, respectively. These subscribers include subscriptions with HughesNet services, through retail, wholesale and small/medium enterprise service channels. Gross subscriber additions decreased in the first quarter of 2015 compared to the same period in 2014 due primarily to satellite beams servicing certain areas reaching capacity. Our average monthly subscriber churn for the first quarter of 2015 decreased as compared to the same period in 2014, however, total disconnects increased due to the increased number of subscribers. As a result, for the quarter ended March 31, 2015, net subscriber additions of 22,000 were lower than the same period last year primarily reflecting the decrease in gross subscriber additions and churn on the increasing base of subscribers.

As of March 31, 2015 and December 31, 2014, our Hughes segment had approximately $1.19 billion and $1.26 billion, respectively, of contracted revenue backlog. We define Hughes revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market.

EchoStar Satellite Services Segment

Our EchoStar Satellite Services segment operates its business using its 16 owned and leased in-orbit satellites. We provide satellite services on a full-time and occasional-use basis primarily to DISH Network, Dish Mexico, U.S. government service providers, internet service providers, broadcast news organizations, programmers and private enterprise customers.

We depend on DISH Network for a significant portion of the revenue for our EchoStar Satellite Services segment and we expect that DISH Network will continue to be the primary source of revenue for our EchoStar Satellite Services segment. Therefore, the results of operations of our EchoStar Satellite Services segment are linked to long-term changes in DISH Network's satellite capacity requirements. We continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. Revenue growth in our EchoStar Satellite Services segment is a function of available satellite capacity to sell. The satellite we currently have under construction is expected to ultimately produce revenue once launched and placed into operation, and therefore, factors that interfere with our construction and launch schedules will impact our expected revenue growth. In addition, any disruption in planned renewals of our service arrangements could impact customer commitments and have an impact on our revenue and financial performance. Technical issues, regulatory and licensing issues, manufacturer performance/stability and availability of capital to continue to fund our programs also are factors in achieving our business plans for this segment.

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

In August 2014, we entered into: (i) a construction contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-band, Ku-band and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. ("SES") pursuant to which we will transfer the title to the C-band and Ka-band payloads to SES Satellite Leasing Limited at launch and transfer the title to the Ku-band payload to SES following in-orbit testing of the satellite. Additionally, SES will provide to us satellite service on the entire Ku-band payload on EchoStar 105/SES-11 for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis.

As of March 31, 2015 and December 31, 2014, our EchoStar Satellite Services segment had contracted revenue backlog attributable to satellites currently in orbit of approximately $1.61 billion and $1.71 billion, respectively.

New Business Opportunities

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

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

RESULTS OF OPERATIONS

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

Statement of Operations Data (1)	For the Three Months Ended March 31 2015	2014	Variance Amount	%
	(Dollars in thousands)			
Revenue:				
Services and other revenue - other	$ 269,679	$ 261,667	$ 8,012	3.1
Services and other revenue - DISH Network	131,441	99,244	32,197	32.4
Equipment revenue - other	48,051	41,832	6,219	14.9
Equipment revenue - DISH Network	1,063	11,570	(10,507)	(90.8)
Total revenue	450,234	414,313	35,921	8.7
Costs and Expenses:				
Cost of sales - services and other	129,918	132,346	(2,428)	(1.8)
% of Total services and other revenue	**32.4%**	**36.7%**		
Cost of sales - equipment	45,211	47,406	(2,195)	(4.6)
% of Total equipment revenue	**92.1%**	**88.8%**		
Selling, general and administrative expenses (including DISH Network)	70,545	63,271	7,274	11.5
% of Total revenue	**15.7%**	**15.3%**		
Research and development expenses	5,554	4,492	1,062	23.6
% of Total revenue	**1.2%**	**1.1%**		
Depreciation and amortization	108,014	108,185	(171)	(0.2)
Total costs and expenses	359,242	355,700	3,542	1.0
Operating income	90,992	58,613	32,379	55.2
Other Income (Expense):				
Interest income	1,099	955	144	15.1
Interest expense, net of amounts capitalized	(45,086)	(48,747)	3,661	(7.5)
Other, net	344	1,001	(657)	(65.6)
Total other expense, net	(43,643)	(46,791)	3,148	(6.7)
Income before income taxes	47,349	11,822	35,527	*
Income tax provision, net	(17,973)	(201)	(17,772)	*
Net income	29,376	11,621	17,755	*
Less: Net income attributable to noncontrolling interests	369	299	70	23.4
Net income attributable to HSS	$ 29,007	$ 11,322	$ 17,685	*
Other Data:				
EBITDA	$ 198,981	$ 167,500	$ 31,481	18.8
Subscribers, end of period	998,000	914,000	84,000	9.2

* Percentage is not meaningful.
(1) An explanation of our key metrics is included on pages 36 and 37.

Services and other revenue — other. "Services and other revenue — other" totaled $269.7 million for the three months ended March 31, 2015, an increase of $8.0 million or 3.1%, compared to the same period in 2014.

Services and other revenue — other from our Hughes segment for the three months ended March 31, 2015 increased by $10.1 million, or 4.2%, to $253.5 million compared to the same period in 2014. The increase was primarily attributable to an increase of $13.3 million in sales of broadband services to our domestic consumer and enterprise markets, partially offset by a decrease of $3.0 million in sales of broadband services to our international customers.

Services and other revenue — other from our EchoStar Satellite Services segment for the three months ended March 31, 2015 decreased by $2.9 million, or 14.7%, to $16.7 million compared to the same period in 2014. The decrease was primarily attributable a decrease in sales of transponder services in the first quarter of 2015 compared to the same period in 2014.

Services and other revenue — DISH Network. "Services and other revenue — DISH Network" totaled $131.4 million for the three months ended March 31, 2015, an increase of $32.2 million or 32.4 % compared to the same period in 2014.

Services and other revenue — DISH Network from our Hughes segment for the three months ended March 31, 2015 increased by $4.7 million, or 26.1%, to $22.8 million compared to the same period in 2014. The

increase was primarily attributable to an increase in wholesale subscribers receiving services pursuant to our Distribution Agreement with dishNET Satellite Broadband L.L.C. ("dishNET").

Services and other revenue — DISH Network from our EchoStar Satellite Services segment for the three months ended March 31, 2015 increased by $27.5 million, or 33.9%, to $108.7 million compared to the same period in 2014. The increase was mainly due to an increase of $29.6 million in revenue recognized from certain satellite services provided to DISH Network for the five satellites transferred to us from DISH Network as part of the Satellite and Tracking Stock Transaction, partially offset by a decrease of $1.3 million in services provided to DISH Network on the EchoStar XII satellite.

Equipment revenue — other. "Equipment revenue — other" totaled $48.1 million for the three months ended March 31, 2015, an increase of $6.2 million, or 14.9% compared to the same period in 2014. The increase was mainly due to a $7.0 million increase in domestic sales of telecom systems equipment and an increase of $2.2 million in sales of broadband equipment to our international customers, partially offset by a decrease of $3.0 million in sales of broadband equipment to our consumer and domestic enterprise markets.

Equipment revenue — DISH Network. "Equipment revenue — DISH Network" totaled $1.1 million for the three months ended March 31, 2015, a decrease of $10.5 million, or 90.8%, compared to the same period in 2014. The decrease was primarily due to the decrease in unit sales of broadband equipment to dishNET. Sales of broadband equipment to dishNET have been steadily decreasing and we expect this trend to continue in the first half of 2015.

Cost of sales — services and other. "Cost of sales — services and other" totaled $129.9 million for the three months ended March 31, 2015, an decrease of $2.4 million, or 1.8%,compared to the same period in 2014. The decrease was primarily attributable to a $3.6 million decrease in service costs directly related to the decrease in sales of our broadband services to our international customers, as well as reductions in the costs of our maintenance and service contracts. Additionally, the cost of sales related to our domestic broadband services decreased $2.1 million due to a decrease in the cost of repairs for consumer hardware and the decrease of Ku-band space segment costs as customers either terminated services or migrated to the Ka-band platform. These increases were partially offset by an increase of $3.3 million in cost of sales of our EchoStar Satellite Services segment related to the commencement of AMC-15 and AMC-16 operating leases in the fourth quarter of 2014 and the first quarter of 2015, respectively.

Cost of sales — equipment. "Cost of sales — equipment" totaled $45.2 million for the three months ended March 31, 2015, a decrease of $2.2 million, or 4.6%, compared to the same period in 2014. The decrease was primarily attributable to lower sales of broadband equipment to DISH Network, primarily related to our Distribution Agreement with dishNET. The decrease was partially offset by the increase in cost of sales of telecom system equipment and broadband equipment to international markets.

Selling, general and administrative expenses. "Selling, general and administrative expenses" totaled $70.5 million for the three months ended March 31, 2015, an increase of $7.3 million or 11.5%, compared to the same period in 2014. The increase was mainly due to a $4.2 million increase in marketing and promotional expenses primarily in our Hughes segment and a $3.6 million increase in professional fees.

Research and development. "Research and development expenses" totaled $5.6 million for the three months ended March 31, 2015, an increase of $1.1 million or 23.6%, compared to the same period in 2014. The Company's research and development activities vary based on the activity level and scope of other engineering and customer related development contracts.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $45.1 million for the three months ended March 31, 2015, a decrease of $3.7 million or 7.5%, compared to the same period in 2014, primarily related to the decrease in interest expense of our capital leased satellites.

Other, net. "Other, net" totaled $0.3 million for the three months ended March 31, 2015, a decrease of $0.7 million, or 65.6%, compared to the same period in 2014. The decrease was primarily related to a loss of $3.8 million attributable to Federal Communications Commission ("FCC") regulatory fees and an increase of $1.9 million in foreign exchange losses. The decrease was partially offset by a $4.5 million reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $199.0 million for the three months ended March 31, 2015, an increase of $31.5 million or 18.8%, compared to the same period in 2014. The increase was primarily due to an increase in operating income, excluding depreciation and amortization of $32.2 million for the three months ended March 31, 2015. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Net income attributable to HSS, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Three Months Ended March 31, 2015	2014	Variance Amount	%
	(Dollars in thousands)			
EBITDA	$ 198,981	$ 167,500	$ 31,481	18.8
Interest income and expense, net	(43,987)	(47,792)	3,805	(8.0)

Depreciation and amortization	(108,014)	(108,185)	171	(0.2)
Income tax provision, net	(17,973)	(201)	(17,772)	*
Net income attributable to HSS	$ 29,007	$ 11,322	$ 17,685	*

* Percentage is not meaningful.

Income tax provision, net. Income tax expense was $18.0 million for the three months ended March 31, 2015, compared to $0.2 million for the same period in 2014. Our effective income tax rate was 38.0% for the three months ended March 31, 2015, compared to 1.7% for the same period in 2014. The variation in our effective tax rate from the U.S. federal statutory rate for the same period in 2014 was primarily due to lower state effective tax rate.

Net income attributable to HSS. Net income attributable to HSS was $29.0 million for the three months ended March 31, 2015, an increase of $17.7 million compared to the same period in 2014. The increase was primarily attributable to an increase in operating income, including depreciation and amortization of $32.4 million and an increase in capitalization of interest expense of $2.4 million associated with the construction of the EUTELSAT 65 West A and EchoStar 105/SES-11 satellites partially offset by an increase in income tax expense of $17.8 million.

Segment Operating Results and Capital Expenditures

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

	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
For the Three Months Ended March 31, 2015				
Total revenue	$ 325,280	$ 125,398	$ (444)	$ 450,234
Capital expenditures	$ 64,527	$ 27,783	$ —	$ 92,310
EBITDA	$ 91,273	$ 106,419	$ 1,289	$ 198,981
For the Three Months Ended March 31, 2014				
Total revenue	$ 314,771	$ 100,821	$ (1,279)	$ 414,313
Capital expenditures	$ 45,972	$ 29	$ —	$ 46,001
EBITDA	$ 81,939	$ 84,782	$ 779	$ 167,500

Hughes Segment

	For the Three Months Ended March 31		Variance	
	2015	2014	Amount	%
	(Dollars in thousands)			
Total revenue	$ 325,280	$ 314,771	$ 10,509	3.3
Capital expenditures	$ 64,527	$ 45,972	$ 18,555	40.4
EBITDA	$ 91,273	$ 81,939	$ 9,334	11.4

Revenue

Hughes segment total revenue for the three months ended March 31, 2015 increased by $10.5 million, or 3.3%, compared to the same period in 2014. The increase was primarily due to increases in sales of broadband

equipment and services to our consumer markets of $9.4 million and telecom systems equipment and service of $4.7 million. The increase was partially offset by a decrease in sales of broadband equipment and services to DISH Network pursuant to our Distribution Agreement with dishNET of $3.2 million.

Capital Expenditures

Hughes segment capital expenditures for the three months ended March 31, 2015 increased by $18.6 million, or 40.4%, compared to the same period in 2014, primarily the result of an increase in expenditures on EUTELSAT 65 West A and EchoStar XIX ground infrastructure.

EBITDA

Hughes segment EBITDA for the three months ended March 31, 2015 was $91.3 million, an increase of $9.3 million, or 11.4%, compared to the same period in 2014. The increase was primarily the result of an increase in gross margin of $19.3 million, primarily the result of an increase in service revenue of $14.9 million and a decrease in cost of sales — services of $6.5 million, related to a $3.6 million decrease in service costs related to our international customers as well as reductions in the costs of our maintenance and service contracts and a $2.1 million decrease in the costs of repairs for consumer hardware and the decrease in Ku-band space segment costs, partially offset by a $6.8 million increase in selling, general and administrative expenses and a $1.9 million increase in foreign exchange losses.

EchoStar Satellite Services Segment

	For the Three Months Ended March 31		Variance	
	2015	2014	Amount	%
	(Dollars in thousands)			

Total revenue	$	125,398	$	100,821	$	24,577	24.4
Capital expenditures	$	27,783	$	29	$	27,754	*
EBITDA	$	106,419	$	84,782	$	21,637	25.5

Revenue

EchoStar Satellite Services segment total revenue for the three months ended March 31, 2015 increased by $24.6 million, or 24.4%, compared to the same period in 2014, primarily due to a $27.5 million increase in service revenue primarily related to satellite services provided to DISH Network on the five satellites we received as part of the Satellite and Tracking Stock Transaction, partially offset by a decrease of $2.9 million in other service revenue.

Capital Expenditures

EchoStar Satellite Services segment capital expenditures for the three months ended March 31, 2015 increased by $27.8 million, compared to the same period in 2014, primarily related to the increase in satellite expenditures on the EchoStar 105/SES-11 satellite.

EBITDA

EchoStar Satellite Services segment EBITDA for the three months ended March 31, 2015 was $106.4 million, an increase of $21.6 million, or 25.5%, compared to the same period in 2014. The increase in EBITDA for our EchoStar Satellite Services segment was primarily due to an increase of $21.3 million in gross margin.

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

EXPLANATION OF KEY METRICS AND OTHER ITEMS

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

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

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

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

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

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

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

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

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

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

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

Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is defined as "Net income (loss) attributable to HSS" excluding "Interest expense, net of amounts capitalized," "Interest income," "Income tax benefit (provision), net" and "Depreciation and amortization." EBITDA is not a measure determined in accordance with GAAP. This non-GAAP measure is reconciled to "Income (loss) before income taxes" in our discussion of "Results of Operations" above. EBITDA should not be considered in isolation or as a substitute for operating

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

income, net income or any other measure determined in accordance with GAAP. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

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

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Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report such that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the first quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting, and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

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PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

Item 1A, "Risk Factors," of our Form 10-K for the year ended December 31, 2014 includes a detailed discussion of our risk factors. For the three months ended March 31, 2015, there were no material changes in our risk factors as previously disclosed.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Item 5. OTHER INFORMATION

None

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Item 6. EXHIBITS

Exhibit No.	Description
31.1(H)	Section 302 Certification of Chief Executive Officer.
31.2(H)	Section 302 Certification of Chief Financial Officer.

32.1(I)	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.
99.1(H)	Unaudited Condensed Attributed Financial Information and Notes for Hughes Retail Group.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

(H) Filed herewith.
(I) Furnished herewith.

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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.

HUGHES SATELLITE SYSTEMS CORPORATION

Date: May 7, 2015	By:	/s/ *Michael T. Dugan* Michael T. Dugan Chief Executive Officer, President and Director *(Principal Executive Officer)*
Date: May 7, 2015	By:	/s/ *David J. Rayner* David J. Rayner Executive Vice President, Chief Financial Officer and Treasurer *(Principal Financial and Accounting Officer)*

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Michael T. Dugan, certify that:

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

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

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

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

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

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 7, 2015

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

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, David J. Rayner, certify that:

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

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

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

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

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 7, 2015

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

EXHIBIT 32.1

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

In connection with the quarterly report for the quarter ended March 31, 2015 on Form 10-Q (the “Quarterly Report”) of Hughes Satellite Systems Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof, we, Michael T. Dugan and David J. Rayner, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

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

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

Date: May 7, 2015

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

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

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

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

Unaudited Condensed Attributed Financial Information for Hughes Retail Group

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

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

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

The accompanying condensed attributed financial information as of, and for, the three months ended March 31, 2015 and 2014 and the year ended December 31, 2014 are unaudited. The Company's management is solely responsible for this financial information and believes that it has been prepared in conformity with accounting principles generally accepted in the United States.

The following tables present our consolidated assets and liabilities as of March 31, 2015 and December 31, 2014 and our consolidated revenue, expenses and cash flows for the three months ended March 31, 2015 and 2014. The tables further present our assets, liabilities, revenue, expenses and cash flows that are attributed to the Hughes Retail Group as if that business and its assets had been attributed to that group at the beginning of each period. As a result of our Policy Statement adopted as of March 1, 2014, we used different attribution methods for certain items in periods prior to March 1, 2014. Therefore, the attributed financial position, results of operations and cash flows of the Hughes Retail Group and all other operations are not directly comparable to the corresponding attributed financial information for periods after March 1, 2014. The financial information in this Exhibit should be read in conjunction with our unaudited condensed consolidated financial statements for the period ended March 31, 2015 included in our Quarterly Report on Form 10-Q.

Condensed Attributed Balance Sheets
(In thousands)
(Unaudited)

	Attributed As of March 31, 2015				Attributed As of December 31, 2014			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Assets								
Current Assets:								
Cash, cash equivalents and marketable investment securities	$ —	$ 652,040	$ —	$ 652,040	$ —	$ 620,549	$ —	$ 620,549
Trade accounts receivable, net	27,994	111,181	—	139,175	29,086	111,107	—	140,193
Trade accounts receivable - DISH Network, net	—	18,470	—	18,470	—	19,249	—	19,249
Inventory	9,073	55,682	(2,099)	62,656	8,282	45,214	(1,899)	51,597
Deferred tax assets	4,982	153,125	—	158,107	4,982	152,967	—	157,949
Prepaids and deposits	642	34,151	—	34,793	592	30,346	—	30,938
Inter-group advances	—	39,680	(39,680)	—	—	27,449	(27,449)	—
Other current assets	—	8,215	—	8,215	—	8,361	—	8,361
Total current assets	42,691	1,072,544	(41,779)	1,073,456	42,942	1,015,242	(29,348)	1,028,836
Noncurrent Assets:								
Restricted cash and cash equivalents	—	18,698	—	18,698	—	17,652	—	17,652
Property and equipment, net	168,217	2,112,964	(11,160)	2,270,021	166,145	2,116,777	(8,354)	2,274,568
Regulatory authorizations	—	471,658	—	471,658	—	471,658	—	471,658
Goodwill	260,000	244,173	—	504,173	260,000	244,173	—	504,173
Other intangible assets, net	46,188	99,274	—	145,462	51,088	106,012	—	157,100
Economic interest in Hughes Retail Group	—	329,195	(329,195)	—	—	334,742	(334,742)	—
Other investments	—	34,375	—	34,375	—	32,969	—	32,969
Other noncurrent assets, net	38,588	136,967	(774)	174,781	40,997	137,278	(647)	177,628
Total noncurrent assets	512,993	3,447,304	(341,129)	3,619,168	518,230	3,461,261	(343,743)	3,635,748
Total assets	$ 555,684	$ 4,519,848	$ (382,908)	$ 4,692,624	$ 561,172	$ 4,476,503	$ (373,091)	$ 4,664,584
Liabilities and Stockholders' Equity								
Current Liabilities:								
Trade accounts payable	$ 12,084	$ 91,205	$ —	$ 103,289	$ 12,613	$ 81,170	$ —	$ 93,783
Trade accounts payable - DISH Network	—	19	—	19	—	18	—	18
Current portion of long-term debt and capital lease obligations	—	28,895	—	28,895	—	39,746	—	39,746
Deferred revenue and prepayments	24,139	29,302	—	53,441	26,504	34,559	—	61,063

Accrued compensation	—	20,885	—	20,885	—	20,128	—	20,128
Advances from affiliates, net	—	7,740	—	7,740	—	23,792	—	23,792
Inter-group advances	39,680	—	(39,680)	—	27,449	—	(27,449)	—
Accrued expenses and other	14,368	99,702	—	114,070	15,167	76,256	—	91,423
Total current liabilities	90,271	277,748	(39,680)	328,339	81,733	275,669	(27,449)	329,953
Noncurrent Liabilities:								
Long-term debt and capital lease obligations, net of current portion	—	2,318,526	—	2,318,526	—	2,325,417	—	2,325,417
Deferred tax liabilities	4,404	552,298	—	556,702	9,457	530,103	—	539,560
Advances from affiliates, net	—	8,385	—	8,385	—	8,352	—	8,352
Other noncurrent liabilities	3,094	86,381	—	89,475	4,351	87,354	—	91,705
Total noncurrent liabilities	7,498	2,965,590	—	2,973,088	13,808	2,951,226	—	2,965,034
Total liabilities	97,769	3,243,338	(39,680)	3,301,427	95,541	3,226,895	(27,449)	3,294,987
Shareholders' Equity:								
Equity/ Attributed net assets (liabilities)	457,915	1,266,128	(343,228)	1,380,815	465,631	1,239,595	(345,642)	1,359,584
Noncontrolling interests	—	10,382	—	10,382	—	10,013	—	10,013
Total shareholders' equity	457,915	1,276,510	(343,228)	1,391,197	465,631	1,249,608	(345,642)	1,369,597
Total liabilities and equity/ attributed net assets (liabilities)	$ 555,684	$ 4,519,848	$ (382,908)	$ 4,692,624	$ 561,172	$ 4,476,503	$ (373,091)	$ 4,664,584

Condensed Attributed Statements of Operations
(In thousands)
(Unaudited)

	Attributed For the Three Months Ended March 31, 2015				Attributed For the Three Months Ended March 31, 2014			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Revenue:								
Services and equipment revenue - other	$ 146,161	$ 253,700	$ (82,131)	$ 317,730	$ 136,731	$ 194,002	$ (27,234)	$ 303,499
Services and equipment revenue - DISH Network	—	132,504	—	132,504	—	110,814	—	110,814
Total revenue	146,161	386,204	(82,131)	450,234	136,731	304,816	(27,234)	414,313
Costs and Expenses:								
Cost of sales (exclusive of depreciation and amortization)	86,008	167,120	(77,999)	175,129	68,224	137,138	(25,610)	179,752
Selling, general and administrative expenses	38,634	31,911	—	70,545	35,550	27,721	—	63,271
Research and development expenses	—	5,554	—	5,554	878	3,614	—	4,492
Depreciation and amortization	34,251	74,763	(1,000)	108,014	31,956	76,229	—	108,185
Total costs and expenses	158,893	279,348	(78,999)	359,242	136,608	244,702	(25,610)	355,700
Operating income (loss)	(12,732)	106,856	(3,132)	90,992	123	60,114	(1,624)	58,613
Other Income (Expense):								
Interest income	—	1,137	(38)	1,099	1	955	(1)	955
Interest expense, net of amounts capitalized	(38)	(45,086)	38	(45,086)	—	(48,748)	1	(48,747)
Equity in earnings of unconsolidated affiliate	—	—	—	—	—	770	—	770
Retained interest in earnings (loss) of Hughes Retail Group	—	(5,547)	5,547	—	—	400	(400)	—
Other, net	—	344	—	344	—	231	—	231
Total other income (expense), net	(38)	(49,152)	5,547	(43,643)	1	(46,392)	(400)	(46,791)
Income (loss) before income taxes	(12,770)	57,704	2,415	47,349	124	13,722	(2,024)	11,822
Income tax benefit (provision), net	5,054	(23,027)	—	(17,973)	(48)	(153)	—	(201)
Net income (loss)	(7,716)	34,677	2,415	29,376	76	13,569	(2,024)	11,621
Less: Net income attributable to noncontrolling interests	—	369	—	369	—	299	—	299
Net income (loss) attributable to HSS	$ (7,716)	$ 34,308	$ 2,415	$ 29,007	$ 76	$ 13,270	$ (2,024)	$ 11,322

Condensed Attributed Statements of Cash Flows
(In thousands)
(Unaudited)

	Attributed For the Three Months Ended March 31, 2015				Attributed For the Three Months Ended March 31, 2014			
	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated	Hughes Retail Group	HSSC Group	Inter-Group Eliminations	HSS Consolidated
Cash Flows from Operating Activities:								
Net income (loss)	$ (7,716)	$ 34,677	$ 2,415	$ 29,376	$ 76	$ 13,569	$ (2,024)	$ 11,621

Adjustments to reconcile net income (loss) to net cash flows from operating activities								
Depreciation and amortization	34,251	74,763	(1,000)	108,014	31,956	76,229	—	108,185
Equity in earnings of unconsolidated affiliate	—	(1,397)	—	(1,397)	—	(770)	—	(770)
Retained interest in loss (earnings) of Hughes Retail Group	—	5,547	(5,547)	—	—	(400)	400	—
Amortization of debt issuance costs	—	1,521	—	1,521	—	1,413	—	1,413
Realized (gains) losses on marketable investment securities and other investments, net	—	—	—	—	—	(8)	—	(8)
Stock-based compensation	—	1,220	—	1,220	—	619	—	619
Deferred tax benefit	(5,054)	22,089	—	17,035	—	(2,956)	—	(2,956)
Changes in current assets and current liabilities, net	(1,076)	(8,691)	199	(9,568)	6,100	33,002	1,624	40,726
Changes in noncurrent assets and noncurrent liabilities, net	(1,213)	3,590	127	2,504	(5,182)	(557)	—	(5,739)
Other, net	—	(1,824)	—	(1,824)	—	2,930	—	2,930
Net cash flows from operating activities	19,192	131,495	(3,806)	146,881	32,950	123,071	—	156,021
Cash Flows from Investing Activities:								
Purchases of marketable investment securities	—	(90,594)	—	(90,594)	—	(52,678)	—	(52,678)
Sales and maturities of marketable investment securities	—	52,683	—	52,683	—	36,271	—	36,271
Purchases of property and equipment	(31,423)	(64,693)	3,806	(92,310)	(30,060)	(15,941)	—	(46,001)
Change in restricted cash and cash equivalents	—	(1,046)	—	(1,046)	—	(3,011)	—	(3,011)
Inter-group advances	—	(12,231)	12,231	—	(2,326)	—	2,326	—
Other, net	—	(4,953)	—	(4,953)	—	(4,723)	—	(4,723)
Net cash flows from investing activities	(31,423)	(120,834)	16,037	(136,220)	(32,386)	(40,082)	2,326	(70,142)
Cash Flows from Financing Activities:								
Net Proceeds from issuance of Hughes Retail Preferred Tracking Stock	—	—	—	—	—	11,404	—	11,404
Repayment of long-term debt and capital lease obligations	—	(15,038)	—	(15,038)	—	(17,193)	—	(17,193)
Inter-group advances	12,231	—	(12,231)	—	—	2,326	(2,326)	—
Inter-group equity contributions (distributions), net	—	—	—	—	(564)	564	—	—
Other	—	779	—	779	—	19	—	19
Net cash flows from financing activities	12,231	(14,259)	(12,231)	(14,259)	(564)	(2,880)	(2,326)	(5,770)
Effect of exchange rates on cash and cash equivalents	—	(2,566)	—	(2,566)	—	990	—	990
Net increase (decrease) in cash and cash equivalents	—	(6,164)	—	(6,164)	—	81,099	—	81,099
Cash and cash equivalents, beginning of period	—	225,557	—	225,557	—	163,709	—	163,709
Cash and cash equivalents, end of period	$ —	$ 219,393	$ —	$ 219,393	$ —	$ 244,808	$ —	$ 244,808

NOTES TO CONDENSED ATTRIBUTED FINANCIAL INFORMATION

(Unaudited)

Note 1. Business Description

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

Note 2. Basis of Presentation

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

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

Policy Statement

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

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

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

Balance Sheet Attributions

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

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

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

Revenue and Expense Attributions

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

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

Cash Flow Attributions

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

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

Attributions for Periods Prior to Adoption of the Policy Statement

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

Note 3. Property and Equipment

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

	Depreciable Life (In Years)	As of March 31, 2015	As of December 2014
		(In thousands)	
Customer rental equipment	2-4	$ 514,357	$ 482,934
Accumulated depreciation		(346,140)	(316,789)
Property and equipment, net		$ 168,217	$ 166,145

Depreciation expense associated with the Hughes Retail Group property and equipment, net of retirements, was $29.4 million and $25.9 million for the three months ended March 31, 2015 and 2014, respectively.

Note 4. Goodwill and Other Intangible Assets

Goodwill

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

Other Intangible Assets

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

	As of March 31, 2015			As of December 31, 2014		
	Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
			(In thousands)			
Customer relationships	$ 145,100	$ (118,407)	$ 26,693	$ 145,100	$ (114,657)	$ 30,443
Technology-based	23,500	(15,014)	8,486	23,500	(14,035)	9,465
Trademark portfolio	13,620	(2,611)	11,009	13,620	(2,440)	11,180
Total other intangible assets	$ 182,220	$ (136,032)	$ 46,188	$ 182,220	$ (131,132)	$ 51,088

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Amortization expense was $4.9 million and $6.0 million for the three months ended March 31, 2015 and 2014, respectively.

Note 5. Income Taxes

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

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

Note 6. Equity/ Attributed Net Assets

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

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

	As of	
	March 31, 2015	December 31, 2014
	(In thousands)	
Attributed paid-in-capital	$ 456,122	$ 456,122
Attributed accumulated earnings (deficit):		
Periods prior to March 1, 2014	33,395	33,395
Periods beginning March 1, 2014	(31,602)	(23,886)
Total	1,793	9,509
Total equity/ attributed net assets	$ 457,915	$ 465,631