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

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2013.**

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: 333-31929

DISH DBS Corporation
(Exact name of registrant as specified in its charter)

Colorado (State or other jurisdiction of incorporation or organization)	**84-1328967** (I.R.S. Employer Identification No.)
9601 South Meridian Boulevard **Englewood, Colorado** (Address of principal executive offices)	**80112** (Zip code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

As of August 5, 2013, the registrant's outstanding common stock consisted of 1,015 shares of common stock, $0.01 par value.

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

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

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PART I — FINANCIAL INFORMATION

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 throughout this report. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we "believe," "intend," "plan," "estimate," "expect" or "anticipate" will occur and other similar statements), you must remember that our expectations may not be achieved, even though we believe they are reasonable. We do not guarantee that any future transactions or events described herein will happen as described or that they will happen at all. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. Whether actual events or results will conform with our expectations and predictions is subject to a number of risks and uncertainties. The risks and uncertainties include, but are not limited to, the following:

Competition and Economic Risks Affecting our Business

- We face intense and increasing competition from satellite television providers, cable companies and telecommunications companies, especially as the pay-TV industry has matured, which may require us to increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn.

- Competition from digital media companies that provide or facilitate the delivery of video content via the Internet may reduce our gross new subscriber activations and may cause our subscribers to purchase fewer services from us or to cancel our services altogether, resulting in less revenue to us.

- Sustained economic weakness, including continued high unemployment and reduced consumer spending, may adversely affect our ability to grow or maintain our business.

- Our competitors may be able to leverage their relationships with programmers to reduce their programming costs and offer exclusive content that will place them at a competitive advantage to us.

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

Operational and Service Delivery Risks Affecting our Business

- If we do not continue improving our operational performance and customer satisfaction, our gross new subscriber activations may decrease and our subscriber churn may increase.

- If our gross new subscriber activations decrease, or if subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.

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

- We depend on others to provide the programming that we offer to our subscribers and, if we lose access to this programming, our gross new subscriber activations may decline and subscriber churn may increase.

- Our local programming strategy faces uncertainty because we may not be able to obtain necessary retransmission consent agreements at acceptable rates, or at all, from local network stations.

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

- Any failure or inadequacy of our information technology infrastructure could harm our business.

- We currently depend on EchoStar Corporation and its subsidiaries, or EchoStar, to design, develop and manufacture all of our new set-top boxes and certain related components, and to provide transponder capacity, digital broadcast operations and other services to us. Our business would be adversely affected if EchoStar ceases to provide these products and services to us and we are unable to obtain suitable replacement products and services from third parties.

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- We operate in an extremely competitive environment and our success may depend in part on our timely introduction and implementation of, and effective investment in, new competitive products and services, the failure of which could negatively impact our business.

- Technology in our industry changes rapidly and our inability to offer new subscribers and upgrade existing subscribers with more advanced equipment could cause our products and services to become obsolete.

- We rely on a single vendor or a limited number of vendors to provide certain key products or services to us such as information technology support, billing systems, and security access devices, and the inability of these key vendors to meet our needs could have a material adverse effect on our business.

- Our sole supplier of new set-top boxes, EchoStar, relies on a few suppliers and in some cases a single supplier, for many components of our new set-top boxes, and any reduction or interruption in supplies or significant increase in the price of supplies could have a negative impact on our business.

- Our programming signals are subject to theft, and we are vulnerable to other forms of fraud that could require us to make significant expenditures to remedy.

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

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

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

- We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and could face significant impairment charges if one of our satellites fails.

- We may have potential conflicts of interest with EchoStar due to DISH Network's common ownership and management.

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

Acquisition and Capital Structure Risks Affecting our Business

- Our parent, DISH Network, made a substantial investment to acquire certain AWS-4 wireless spectrum licenses and other assets from DBSD North America Inc. ("DBSD North America") and TerreStar Networks, Inc. ("TerreStar"). DISH Network will need to make significant additional investments or partner with others to commercialize these licenses and assets.

- Our parent, DISH Network, made a substantial investment to acquire certain 700 MHz wireless spectrum licenses and will need to make significant additional investments or partner with others to commercialize these licenses.

- To the extent our parent, DISH Network, commercializes its wireless spectrum licenses, it will face certain risks entering and competing in the wireless services industry and operating a wireless services business.

- We may pursue acquisitions and other strategic transactions to complement or expand our business that may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.

- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our business and to finance acquisitions and other strategic transactions.

- We have substantial debt outstanding and may incur additional debt.

- Our parent, DISH Network, is controlled by one principal stockholder who is also our Chairman.

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Legal and Regulatory Risks Affecting our Business

- Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others.

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

- Our ability to distribute video content via the Internet involves regulatory risk.

- Changes in the Cable Act of 1992 ("Cable Act"), and/or the rules of the Federal Communications Commission ("FCC") that implement the Cable Act, may limit our ability to access programming from cable-affiliated programmers at non-discriminatory rates.

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

- We are subject to significant regulatory oversight, and changes in applicable regulatory requirements, including any adoption or modification of laws or regulations relating to the Internet, could adversely affect our business.

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

- We are subject to digital high-definition ("HD") "carry-one, carry-all" requirements that cause capacity constraints.

- There can be no assurance that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.

- We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or SEC.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Investors should consider the risks described herein and should not place undue reliance on any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in other reports we file with the SEC.

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

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Item 1. FINANCIAL STATEMENTS

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

	As of June 30, 2013	As of December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,084,747	$ 3,424,387
Marketable investment securities	4,075,835	2,269,670
Trade accounts receivable - other, net of allowance for doubtful accounts of $13,481 and $13,834, respectively	841,761	819,520
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	17,618	19,924
Advances to affiliates	359,301	3,854
Inventory	496,016	464,393
Deferred tax assets	91,722	91,722
Other current assets	125,067	117,157
Total current assets	10,092,067	7,210,627
Noncurrent Assets:		
Restricted cash and marketable investment securities	78,580	121,661
Property and equipment, net of accumulated depreciation of $3,009,018 and $2,948,204, respectively	2,989,389	3,007,384
FCC authorizations	635,794	635,794
Other noncurrent assets, net	226,127	198,992
Total noncurrent assets	3,929,890	3,963,831

Total assets	$ 14,021,957	$ 11,174,458
Liabilities and Stockholder's Equity (Deficit)		
Current Liabilities:		
Trade accounts payable - other	$ 237,249	$ 221,839
Trade accounts payable - EchoStar	311,345	262,843
Deferred revenue and other	863,926	832,518
Accrued programming	1,182,386	1,092,346
Accrued interest	261,488	224,383
Litigation accrual	—	70,999
Other accrued expenses	428,015	440,990
Current portion of long-term debt and capital lease obligations	533,056	534,787
Total current liabilities	3,817,465	3,680,705
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	13,612,614	11,328,944
Deferred tax liabilities	1,220,337	1,184,349
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	177,552	242,360
Total long-term obligations, net of current portion	15,010,503	12,755,653
Total liabilities	18,827,968	16,436,358
Commitments and Contingencies (Note 8)		
Stockholder's Equity (Deficit):		
Common stock, $.01 par value, 1,000,000 shares authorized, 1,015 shares issued and outstanding	—	—
Additional paid-in capital	1,275,076	1,254,814
Accumulated other comprehensive income (loss)	1,594	6,080
Accumulated earnings (deficit)	(6,082,681)	(6,522,794)
Total stockholder's equity (deficit)	(4,806,011)	(5,261,900)
Total liabilities and stockholder's equity (deficit)	$ 14,021,957	$ 11,174,458

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue:				
Subscriber-related revenue	$ 3,412,233	$ 3,289,376	$ 6,722,588	$ 6,508,322
Equipment sales and other revenue	23,950	22,567	48,568	44,180
Equipment sales, services and other revenue - EchoStar	8,739	5,678	10,024	12,345
Total revenue	3,444,922	3,317,621	6,781,180	6,564,847
Costs and Expenses (exclusive of depreciation shown separately below - Note 5):				
Subscriber-related expenses	1,893,046	1,825,061	3,780,639	3,587,995
Satellite and transmission expenses:				
EchoStar	123,725	106,635	234,718	215,756
Other	10,104	9,611	20,085	20,185
Cost of sales - equipment, services and other	20,720	19,680	40,716	42,628
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	60,650	51,500	130,714	136,269
Other subscriber acquisition costs	334,845	355,344	694,499	669,795
Total subscriber acquisition costs	395,495	406,844	825,213	806,064
General and administrative expenses - EchoStar	19,788	12,273	32,574	22,701
General and administrative expenses	152,718	155,841	298,300	316,577
Depreciation and amortization (Note 5)	228,165	279,438	433,661	476,733
Total costs and expenses	2,843,761	2,815,383	5,665,906	5,488,639
Operating income (loss)	601,161	502,238	1,115,274	1,076,208
Other Income (Expense):				
Interest income	9,742	4,250	16,950	5,942
Interest expense, net of amounts capitalized	(247,461)	(148,830)	(443,227)	(283,116)
Other, net	65	(797)	193	1,908
Total other income (expense)	(237,654)	(145,377)	(426,084)	(275,266)

Income (loss) before income taxes	363,507	356,861	689,190	800,942
Income tax (provision) benefit, net	(129,625)	(134,951)	(249,077)	(301,542)
Net income (loss)	$ 233,882	$ 221,910	$ 440,113	$ 499,400
Comprehensive Income (Loss):				
Net income (loss)	$ 233,882	$ 221,910	$ 440,113	$ 499,400
Unrealized holding gains (losses) on available-for-sale securities	(7,612)	(1,879)	(5,002)	2,856
Deferred income tax (expense) benefit	1,657	—	516	—
Comprehensive income (loss)	$ 227,927	$ 220,031	$ 435,627	$ 502,256

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

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

	For the Six Months Ended June 30,	
	2013	2012
Cash Flows From Operating Activities:		
Net income (loss)	$ 440,113	$ 499,400
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	433,661	476,733
Realized and unrealized losses (gains) on investments	—	(1,751)
Non-cash, stock-based compensation	14,776	28,844
Deferred tax expense (benefit)	12,922	58,640
Other, net	10,756	4,047
Change in noncurrent assets	21,845	20,920
Change in long-term deferred revenue, distribution and carriage payments and other long-term liabilities	(67,462)	(27,619)
Changes in advances to affiliates	(355,447)	(691)
Changes in current assets and current liabilities, net	82,783	218,457
Net cash flows from operating activities	593,947	1,276,980
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(3,373,406)	(1,327,003)
Sales and maturities of marketable investment securities	1,562,239	579,056
Purchases of property and equipment	(449,823)	(370,925)
Change in restricted cash and marketable investment securities	43,081	(1,262)
Other	5,632	(2,404)
Net cash flows from investing activities	(2,212,277)	(1,122,538)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	2,300,000	1,900,000
Proceeds from issuance of restricted debt	2,600,000	—
Redemption of restricted debt	(2,600,000)	—
Funding of restricted debt escrow	(2,596,750)	—
Release of restricted debt escrow	2,596,771	—
Debt issuance costs	(11,427)	(9,564)
Repayment of long-term debt and capital lease obligations	(19,131)	(17,954)
Other	9,227	5,523
Net cash flows from financing activities	2,278,690	1,878,005
Net increase (decrease) in cash and cash equivalents	660,360	2,032,447
Cash and cash equivalents, beginning of period	3,424,387	399,072
Cash and cash equivalents, end of period	$ 4,084,747	$ 2,431,519
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 403,925	$ 268,627
Cash received for interest	$ 16,516	$ 5,932
Cash paid for income taxes	$ 717	$ 18,262
Cash paid for income taxes to DISH Network	$ 228,660	$ 249,214
Transfer of regulatory authorization from EchoStar	$ 23,148	$ —

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

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

1. Organization and Business Activities

Principal Business

DISH DBS Corporation (which together with its subsidiaries is referred to as "DISH DBS," the "Company," "we," "us" and/or "our" unless otherwise required by the context) is a holding company and an indirect, wholly-owned subsidiary of DISH Network Corporation ("DISH Network"). DISH DBS was formed under Colorado law in January 1996 and its common stock is held by DISH Orbital Corporation ("DOC"), a direct subsidiary of DISH Network. We operate the DISH® branded direct broadcast satellite ("DBS") pay-TV service, which had 14.014 million subscribers in the United States as of June 30, 2013. The DISH branded pay-TV service consists of Federal Communications Commission ("FCC") licenses authorizing us to use DBS and Fixed Satellite Service ("FSS") spectrum, our owned and leased satellites, receiver systems, third party broadcast operations, customer service facilities, a leased fiber network, in-home service and call center operations, and certain other assets utilized in our operations.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and notes required for complete financial statements prepared under GAAP. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Our results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 10-K"). Certain prior period amounts have been reclassified to conform to the current period presentation.

Principles of Consolidation

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

Use of Estimates

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

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

Fair Value Measurements

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

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

As of June 30, 2013 and December 31, 2012, the carrying value for cash and cash equivalents, marketable investment securities, trade accounts receivable (net of allowance for doubtful accounts), and current liabilities (excluding the "Current portion of long-term debt and capital lease obligations") is equal to or approximates fair value due to their short-term nature or proximity to current market rates. See Note 3 for the fair value of our marketable investment securities.

Fair values for our publicly traded debt securities are based on quoted market prices, when available. The fair values of private debt are estimated based on an analysis in which we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding, among other things, credit spreads, and the impact of these factors on the value of the notes. See Note 6 for the fair value of our long-term debt.

Advertising Costs

Our advertising costs associated with acquiring new Pay-TV subscribers are expensed as incurred. During the three months ended June 30, 2013 and 2012, we recorded advertising costs of $119 million and $118 million, respectively, and during the six months ended June 30, 2013 and 2012, we recorded advertising costs of $233 million and $207 million, respectively. Advertising costs are included in "Other subscriber acquisition costs" and "General and administrative expenses" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Deferred Cost of Sales

On May 22, 2013, we launched a promotion whereby qualifying new Pay-TV subscribers may choose either an Apple® iPad® 2 or programming credits when they, among other things, commit to a two-year contract. The costs of the iPad 2 are recorded as short-term or long-term deferred cost of sales expense within "Other current assets" and "Other noncurrent assets, net," respectively, on our Condensed Consolidated Balance Sheets and are amortized on a straight-line basis over the related contract term to "Cost of sales — equipment, merchandise, services, rental and other" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

3. Marketable Investment Securities and Restricted Cash and Cash Equivalents

Our marketable investment securities and restricted cash and cash equivalents consist of the following:

	As of	
	June 30, 2013	December 31, 2012
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - VRDNs	$ 153,825	$ 124,007
Current marketable investment securities - other	3,922,010	2,145,663
Total current marketable investment securities	4,075,835	2,269,670
Restricted marketable investment securities (1)	73,751	49,044
Total marketable investment securities	4,149,586	2,318,714
Restricted cash and cash equivalents (1)	4,829	72,617
Total marketable investment securities and restricted cash and cash equivalents	$ 4,154,415	$ 2,391,331

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

Marketable Investment Securities

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

Current Marketable Investment Securities — VRDNs

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

Current Marketable Investment Securities — Other

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

Restricted Cash and Marketable Investment Securities

As of June 30, 2013 and December 31, 2012, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit or surety bonds and for litigation. During the first quarter 2013, we released $42 million of restricted cash related to litigation. See Note 8 for further information.

Unrealized Gains (Losses) on Marketable Investment Securities

As of June 30, 2013 and December 31, 2012, we had accumulated net unrealized gains of $2 million and $6 million, both net of related tax effect, respectively, as a part of "Accumulated other comprehensive income (loss)" within "Total stockholder's equity (deficit)." The components of our available-for-sale investments are summarized in the table below.

	As of June 30, 2013				As of December 31, 2012			
	Marketable Investment Securities	Unrealized Gains	Unrealized Losses	Net	Marketable Investment Securities	Unrealized Gains	Unrealized Losses	Net
	(In thousands)							
Debt securities:								
VRDNs	$ 153,825	$ —	$ —	$ —	$ 124,007	$ —	$ —	$ —
Other (including restricted)	3,981,712	5,794	(5,012)	782	2,181,064	7,335	(1,144)	6,191
Equity securities:								
Other (1)	14,049	812	—	812	13,643	406	—	406
Total	$ 4,149,586	$ 6,606	$ (5,012)	$ 1,594	$ 2,318,714	$ 7,741	$ (1,144)	$ 6,597

(1) In connection with certain commercial arrangements that we entered into during the third quarter 2012, among other things, we received shares of common stock from a single issuer for no cash consideration.

As of June 30, 2013, restricted and non-restricted marketable investment securities included debt securities of $3.274 billion with contractual maturities within one year and $862 million with contractual maturities after one year through five years. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. As of June 30, 2013 and December 31, 2012, the unrealized losses on our investments in debt securities primarily represent investments in corporate bonds. We have the ability to hold and do not intend to sell our investments in these debt securities before they recover or mature, and it is more likely than not that we will hold these investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

	As of			
	June 30, 2013		December 31, 2012	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)			
Debt Securities:				
Less than 12 months	$ 2,811,860	$ (4,404)	$ 724,739	$ (865)
12 months or more	45,544	(608)	29,045	(279)
Total	$ 2,857,404	$ (5,012)	$ 753,784	$ (1,144)

Fair Value Measurements

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

	As of							
	June 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
	(In thousands)							
Cash Equivalents (including restricted)	$ 3,517,520	$ 3,671	$ 3,513,849	$ —	$ 3,014,946	$ 59,386	$ 2,955,560	$ —

Debt securities:								
VRDNs	$ 153,825	$ —	$ 153,825	$ —	$ 124,007	$ —	$ 124,007	$ —
Other (including restricted)	3,981,712	—	3,981,712	—	2,181,064	—	2,181,064	—
Equity securities	14,049	14,049	—	—	13,643	13,643	—	—
Total	$ 4,149,586	$ 14,049	$ 4,135,537	$ —	$ 2,318,714	$ 13,643	$ 2,305,071	$ —

During the six months ended June 30, 2013, we had no transfers in and out of Level 1 and Level 2 fair value measurements.

4. Inventory

Inventory consisted of the following:

	As of	
	June 30, 2013	December 31, 2012
	(In thousands)	
Finished goods - DBS	$ 254,202	$ 259,274
Raw materials	141,899	122,758
Work-in-process	99,915	82,361
Total inventory	$ 496,016	$ 464,393

5. Property and Equipment

Depreciation and Amortization Expense

Depreciation and amortization expense consisted of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Equipment leased to customers	$ 186,815	$ 163,474	$ 349,933	$ 315,917
Satellites	27,170	32,087	54,341	64,173
Buildings, furniture, fixtures, equipment and other	14,180	16,101	29,387	28,867
148 degree orbital location	—	67,776	—	67,776
Total depreciation and amortization	$ 228,165	$ 279,438	$ 433,661	$ 476,733

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

DBS Satellites

We currently utilize 15 satellites in geostationary orbit approximately 22,300 miles above the equator, six of which we own and depreciate over the useful life of each satellite. We currently utilize capacity on seven satellites from EchoStar, which are accounted for as operating leases. See Note 10 for further discussion of our satellite leases with EchoStar. We also lease two satellites from third parties, which are accounted for as capital leases and are depreciated over the shorter of the economic life of the satellite or the term of the satellite agreement.

Satellite Anomalies

Operation of our DISH branded pay-TV service requires that we have adequate DBS satellite transmission capacity for the programming we offer. Moreover, current competitive conditions require that we continue to expand our offering of new programming. While we generally have had in-orbit DBS satellite capacity sufficient to transmit our existing channels and some backup capacity to recover the transmission of certain critical programming, our backup capacity is limited.

In the event of a failure or loss of any of our satellites, we may need to acquire or lease additional satellite capacity or relocate one of our other satellites and use it as a replacement for the failed or lost satellite. Such a failure could result in a prolonged loss of critical programming or a significant delay in our plans to expand programming as necessary to remain competitive and thus may have a material adverse effect on our business, financial condition and results of operations.

Prior to 2013, certain of our owned and leased satellites have experienced anomalies, some of which have had a significant adverse impact on their remaining useful life and/or commercial operation. There can be no assurance that future anomalies will not further impact the remaining useful life and/or commercial operation of any of the satellites in our fleet. See "*Long-Lived DBS Satellite Assets*" below for further discussion of evaluation of impairment of our DISH branded pay-TV DBS satellite fleet. There can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail. We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and therefore, we will bear the risk associated with any uninsured in-orbit satellite failures. Recent developments with respect to certain of our satellites are discussed below.

Leased Satellites

EchoStar XII. Prior to 2010, EchoStar XII experienced anomalies resulting in the loss of electrical power available from its solar arrays, which reduced the number of transponders that could be operated. In September 2012, November 2012, and January 2013, EchoStar XII experienced additional solar array anomalies, which further reduced the electrical power available. EchoStar has informed us that EchoStar XII will likely experience further loss of available electrical power that will impact its operational capability, and EchoStar has reduced the remaining estimated useful life of the satellite to 18 months. Pursuant to our satellite lease agreement with EchoStar, we are entitled to a reduction in our monthly recurring lease payments in the event of a partial loss of satellite capacity or complete failure of the satellite. Since the number of useable transponders on EchoStar XII depends on, among other things, whether EchoStar XII is operated in CONUS, spot beam, or hybrid CONUS/spot beam mode, we are unable to determine at this time the actual number of transponders that will be available at any given time or how many transponders can be used during the remaining estimated life of the satellite. This satellite is currently not in service and serves as an in-orbit spare.

Long-Lived DBS Satellite Assets. We evaluate our DISH branded pay-TV DBS satellite fleet for impairment as one asset group and test for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. While certain of the anomalies discussed above, and previously disclosed, may be considered to represent a significant adverse change in the physical condition of an individual satellite, based on the

redundancy designed within each satellite and considering the asset grouping, these anomalies are not considered to be significant events that would require evaluation for impairment recognition. Unless and until a specific satellite is abandoned or otherwise determined to have no service potential, the net carrying amount related to the satellite would not be written off.

6. Long-Term Debt

5% Senior Notes due 2017

On May 28, 2013, we issued $1.25 billion aggregate principal amount of our four-year, 5% Senior Notes due May 15, 2017 at an issue price of 100%. The net proceeds from the 5% Senior Notes due 2017 were placed into escrow to finance a portion of the cash consideration for DISH Network's proposed merger with Sprint Corporation ("Sprint"). On June 21, 2013, DISH Network abandoned its efforts to acquire Sprint and, on June 24, 2013, we redeemed all of the 5% Senior Notes due 2017 at a redemption price equal to 100% of the aggregate principal amount of the 5% Senior Notes due 2017, plus accrued and unpaid interest.

During each of the three and six months ended June 30, 2013, we recorded $7 million in interest expense and deferred financing costs related to the issuance and redemption of our 5% Senior Notes due 2017 as "Interest expense, net of amounts capitalized" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

4 1/4% Senior Notes due 2018

On April 5, 2013, we issued $1.2 billion aggregate principal amount of our five-year, 4 1/4% Senior Notes due April 1, 2018 at an issue price of 100%. Interest accrues at an annual rate of 4 1/4% and is payable semi-annually in cash in arrears on April 1 and October 1 of each year, commencing on October 1, 2013.

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

The 4 1/4% Senior Notes due 2018 are:

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

The indenture related to the 4 1/4% Senior Notes due 2018 contains restrictive covenants that, among other things, impose limitations on the ability of DISH DBS and its restricted subsidiaries to:

- incur additional debt;
- pay dividends or make distributions on DISH DBS' capital stock or repurchase DISH DBS' capital stock;
- make certain investments;
- create liens or enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- merge or consolidate with another company; and
- transfer or sell assets.

In the event of a change of control, as defined in the related indenture, we would be required to make an offer to repurchase all or any part of a holder's 4 1/4% Senior Notes due 2018 at a purchase price equal to 101% of the aggregate principal amount thereof, together with accrued and unpaid interest thereon, to the date of repurchase.

5 1/8% Senior Notes due 2020

On April 5, 2013, we issued $1.1 billion aggregate principal amount of our seven-year, 5 1/8% Senior Notes due May 1, 2020 at an issue price of 100%. Interest accrues at an annual rate of 5 1/8% and is payable semi-annually in cash in arrears on May 1 and November 1 of each year, commencing on November 1, 2013.

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

The 5 1/8% Senior Notes due 2020 are:

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

The indenture related to the 5 1/8% Senior Notes due 2020 contains restrictive covenants that, among other things, impose limitations on the ability of DISH DBS and its restricted subsidiaries to:

- incur additional debt;
- pay dividends or make distributions on DISH DBS' capital stock or repurchase DISH DBS' capital stock;
- make certain investments;
- create liens or enter into sale and leaseback transactions;
- enter into transactions with affiliates;
- merge or consolidate with another company; and
- transfer or sell assets.

In the event of a change of control, as defined in the related indenture, we would be required to make an offer to repurchase all or any part of a holder's 5 1/8% Senior Notes due 2020 at a purchase price equal to 101% of the aggregate principal amount thereof, together with accrued and unpaid interest thereon, to the date of repurchase.

6 1/4% Senior Notes due 2023

On May 28, 2013, we issued $1.35 billion aggregate principal amount of our ten-year, 6 1/4% Senior Notes due May 15, 2023 at an issue price of 100%. The net proceeds from the 6 1/4% Senior Notes due 2023 were placed into escrow to finance a portion of the cash consideration for DISH Network's proposed merger with Sprint. On June 21, 2013, DISH Network abandoned its efforts to acquire Sprint and, on June 24, 2013, we redeemed all of the 6 1/4% Senior Notes due 2023 at a redemption price equal to 101% of the aggregate principal amount of the 6 1/4% Senior Notes due 2023, plus accrued and unpaid interest.

During each of the three and six months ended June 30, 2013, we recorded $23 million in premiums, interest expense and deferred financing costs related to the issuance and redemption of our 6 1/4% Senior Notes due 2023 as "Interest expense, net of amounts capitalized" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Fair Value of our Long-Term Debt

The following table summarizes the carrying and fair values of our debt facilities as of June 30, 2013 and December 31, 2012:

	As of			
	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In thousands)			
7 % Senior Notes due 2013 (1)	$ 500,000	$ 505,950	$ 500,000	$ 521,875
6 5/8% Senior Notes due 2014	1,000,000	1,042,500	1,000,000	1,078,500
7 3/4% Senior Notes due 2015	750,000	811,875	750,000	844,725
7 1/8% Senior Notes due 2016	1,500,000	1,623,750	1,500,000	1,683,750

4 5/8% Senior Notes due 2017	900,000	906,750	900,000	940,500
4 1/4% Senior Notes due 2018	1,200,000	1,161,000	—	—
7 7/8% Senior Notes due 2019	1,400,000	1,555,750	1,400,000	1,669,500
5 1/8% Senior Notes due 2020	1,100,000	1,097,250	—	—
6 3/4% Senior Notes due 2021	2,000,000	2,130,000	2,000,000	2,280,000
5 7/8% Senior Notes due 2022	2,000,000	2,030,000	2,000,000	2,150,000
5 % Senior Notes due 2023	1,500,000	1,447,500	1,500,000	1,548,750
Mortgages and other notes payable	62,166	62,166	65,427	65,427
Subtotal	13,912,166	$ 14,374,491	11,615,427	$ 12,783,027
Capital lease obligations (2)	233,504	NA	248,304	NA
Total long-term debt and capital lease obligations (including current portion)	$ 14,145,670		$ 11,863,731	

(1) Our 7% Senior Notes with an aggregate principal balance of $500 million mature on October 1, 2013.
(2) Disclosure regarding fair value of capital leases is not required.

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

7. Stock-Based Compensation

Stock Incentive Plans

DISH Network maintains stock incentive plans to attract and retain officers, directors and key employees. Our employees participate in the DISH Network stock incentive plans. Stock awards under these plans include both performance and non-performance based stock incentives. As of June 30, 2013, there were outstanding under these plans stock options to acquire 13.4 million shares of DISH Network's Class A common stock and 1.9 million restricted stock units associated with our employees. Stock options granted prior to June 30, 2013 were granted with exercise prices equal to or greater than the market value of DISH Network Class A common stock at the date of grant and with a maximum term of approximately ten years. While historically DISH Network has issued stock awards subject to vesting, typically at the rate of 20% per year, some stock awards have been granted with immediate vesting and other stock awards vest only upon the achievement of certain DISH Network-specific subscriber, operational and/or financial goals. As of June 30, 2013, DISH Network had 69.6 million shares of its Class A common stock available for future grant under its stock incentive plans.

On December 28, 2012, DISH Network paid a dividend in cash of $1.00 per share on its outstanding Class A and Class B common stock to shareholders of record on December 14, 2012. In light of such dividend, during January 2013, the exercise price of 12.9 million stock options, affecting approximately 400 of our employees, was reduced

by $0.77 per share (the "2012 Stock Option Adjustment"). Except as noted below, all information discussed below reflects the 2012 Stock Option Adjustment.

On January 1, 2008, DISH Network completed the distribution of its technology and set-top box business and certain infrastructure assets (the "Spin-off") into a separate publicly-traded company, EchoStar. In connection with the Spin-off, each DISH Network stock award was converted into an adjusted DISH Network stock award and a new EchoStar stock award consistent with the Spin-off exchange ratio. DISH Network is responsible for fulfilling all stock awards related to DISH Network common stock and EchoStar is responsible for fulfilling all stock awards related to EchoStar common stock, regardless of whether such stock awards are held by our or EchoStar's employees. Notwithstanding the foregoing, our stock-based compensation expense, resulting from stock awards outstanding at the Spin-off date, is based on the stock awards held by our employees regardless of whether such stock awards were issued by DISH Network or EchoStar. Accordingly, stock-based compensation that we expense with respect to EchoStar stock awards is included in "Additional paid-in capital" on our Condensed Consolidated Balance Sheets. As of March 31, 2013, we have recognized all of our stock-based compensation expense resulting from EchoStar stock awards outstanding at the Spin-off date held by our employees except for the 2005 LTIP performance awards, which were determined not to be probable as of June 30, 2013. See discussion of the 2005 LTIP below.

The following stock awards were outstanding:

	As of June 30, 2013			
	DISH Network Awards		EchoStar Awards	
Stock Awards Outstanding	**Stock Options**	**Restricted Stock Units**	**Stock Options**	**Restricted Stock Units**
Held by DISH DBS employees	13,367,380	1,896,498	615,041	42,288

Stock Award Activity

DISH Network stock option activity associated with our employees was as follows:

	For the Six Months Ended June 30, 2013	
	Options	**Weighted-Average Exercise Price**
Total options outstanding, beginning of period (1)	13,018,490	$ 18.99

Granted	2,206,500	$	36.68
Exercised	(1,781,010)	$	14.43
Forfeited and cancelled	(76,600)	$	18.58
Total options outstanding, end of period	13,367,380	$	21.61
Performance-based options outstanding, end of period (2)	6,518,500	$	24.96
Exercisable at end of period	4,987,579	$	16.74

(1) The beginning of period weighted-average exercise price of $18.99 does not reflect the 2012 Stock Option Adjustment, which occurred subsequent to December 31, 2012.
(2) These stock options are included in the caption "Total options outstanding, end of period." See discussion of the 2005 LTIP, 2008 LTIP, 2013 LTIP and other employee performance awards below.

We realized tax benefits from stock awards exercised as follows:

	For the Three Months Ended June 30, 2013	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012
	(In thousands)			
Tax benefit from stock awards exercised	$ 14,586	$ 9,787	$ 16,208	$ 11,530

Based on the closing market price of DISH Network Class A common stock on June 30, 2013, the aggregate intrinsic value of stock options associated with our employees was as follows:

	As of June 30, 2013 Options Outstanding	As of June 30, 2013 Options Exercisable
	(In thousands)	
Aggregate intrinsic value	$ 278,029	$ 128,577

DISH Network restricted stock unit activity associated with our employees was as follows:

	For the Six Months Ended June 30, 2013 Restricted Stock Units		Weighted-Average Grant Date Fair Value
Total restricted stock units outstanding, beginning of period	1,076,748	$	22.82
Granted	985,000	$	36.48
Vested	(125,250)	$	29.07
Forfeited and cancelled	(40,000)	$	32.82
Total restricted stock units outstanding, end of period	1,896,498	$	29.29
Restricted Performance Units outstanding, end of period (1)	1,896,498	$	29.29

(1) These Restricted Performance Units are included in the caption "Total restricted stock units outstanding, end of period." See discussion of the 2005 LTIP, 2008 LTIP, 2013 LTIP and other employee performance awards below.

Long-Term Performance-Based Plans

2005 LTIP. During 2005, DISH Network adopted a long-term, performance-based stock incentive plan (the "2005 LTIP"). The 2005 LTIP provides stock options and restricted stock units, either alone or in combination, which vest over seven years at the rate of 10% per year during the first four years, and at the rate of 20% per year thereafter. Exercise of the stock awards is subject to the foregoing vesting schedule and a performance condition that a DISH Network-specific subscriber goal is achieved by March 31, 2015.

Contingent compensation related to the 2005 LTIP will not be recorded in our financial statements unless and until DISH Network concludes achievement of the performance condition is probable. Given the competitive nature of DISH Network's business, small variations in subscriber churn, gross new subscriber activation rates and certain other factors can significantly impact subscriber growth. Consequently, while it was determined that achievement of the goal was not probable as of June 30, 2013, that assessment could change in the future.

If all of the stock awards under the 2005 LTIP were vested and the goal had been met or if DISH Network had determined that achievement of the goal was probable during the six months ended June 30, 2013, we would have recorded total non-cash, stock-based compensation expense for our employees as indicated in the table below. If the goal is met and there are unvested stock awards at that time, the vested amounts would be expensed immediately on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), with the unvested portion recognized ratably over the remaining vesting period.

	2005 LTIP	
	Total	Vested Portion (1)
	(In thousands)	
DISH Network awards held by DISH DBS employees	$ 32,321	$ 30,280
EchoStar awards held by DISH DBS employees	5,591	5,334
Total	$ 37,912	$ 35,614

(1) Represents the amount of this award that has met the foregoing vesting schedule and would therefore vest upon achievement of the performance condition.

2008 LTIP. During 2008, DISH Network adopted a long-term, performance-based stock incentive plan (the "2008 LTIP"). The 2008 LTIP provided stock options and restricted stock units, either alone or in combination, which vested based on DISH Network-specific subscriber and financial goals.

As of June 30, 2013, 100% of the eligible 2008 LTIP awards had vested and all the associated non-cash stock-based compensation expense had been recognized on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Although no awards vested until DISH Network attained the performance goals, compensation related to the 2008 LTIP had been recorded based on DISH Network's assessment of the probability of meeting the remaining goals. We recognized the associated non-cash, stock-based compensation expense on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the estimated period to achieve the goals.

2013 LTIP. During 2013, DISH Network adopted a long-term, performance-based stock incentive plan (the "2013 LTIP"). The 2013 LTIP provides stock options and restricted stock units in combination, which vest based on DISH Network -specific subscriber and financial goals. Exercise of the stock awards is contingent on achieving these goals by September 30, 2022. Regardless of when achieved, no vesting will occur or payment will be made under the 2013 LTIP for any performance goals prior to March 31, 2014.

Although no awards vest until DISH Network attains the performance goals, compensation related to the 2013 LTIP will be recorded based on DISH Network's assessment of the probability of meeting the goals. If the goals are probable of being achieved, we will begin recognizing the associated non-cash, stock-based compensation expense on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the estimated period to achieve the goal. While it was determined that achievement of any of these goals was not probable as of June 30, 2013, that assessment could change in the future.

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

Additional compensation related to these awards will be recorded based on DISH Network's assessment of the probability of meeting the remaining performance goals. If the remaining goals are probable of being achieved, we

will begin recognizing the associated non-cash, stock-based compensation expense on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) over the estimated period to achieve the goal. See table below titled "Estimated Remaining Non-Cash, Stock-Based Compensation Expense."

Although no awards vest until the performance goals are attained, DISH Network determined that certain goals were probable of achievement and, as a result, recorded non-cash, stock-based compensation expense for the three and six months ended June 30, 2013 and 2012, as indicated in the table below titled "Non-Cash, Stock-Based Compensation Expense Recognized."

Given the competitive nature of DISH Network's business, small variations in subscriber churn, gross new subscriber activation rates and certain other factors can significantly impact subscriber growth. Consequently, while it was determined that achievement of certain DISH Network-specific subscriber, operational and/or financial goals was not probable as of June 30, 2013, that assessment could change in the future.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Non-Cash, Stock-Based Compensation Expense Recognized	2013	2012	2013	2012
	(In thousands)			
2008 LTIP	$ 938	$ 2,179	$ 2,719	$ 7,457
Other employee performance awards	862	1,433	2,863	4,572
Total non-cash, stock-based compensation expense recognized for performance-based awards	$ 1,800	$ 3,612	$ 5,582	$ 12,029

Estimated Remaining Non-Cash, Stock-Based Compensation Expense	2013 LTIP	Other Employee Performance Awards
	(In thousands)	
Remaining expense estimated to be recognized during 2013	$ —	$ 271
Estimated contingent expense subsequent to 2013	67,024	43,074
Total estimated remaining expense over the term of the plan	$ 67,024	$ 43,345

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Of the 13.4 million stock options and 1.9 million restricted stock units outstanding under the DISH Network stock incentive plans associated with our employees as of June 30, 2013, the following awards were outstanding pursuant to the performance-based stock incentive plans:

	As of June 30, 2013	
Performance-Based Stock Options	Number of Awards	Weighted-Average Exercise Price
2005 LTIP	1,878,500	$ 20.83
2013 LTIP	1,940,000	$ 36.48
Other employee performance awards	2,700,000	$ 19.55
Total	6,518,500	$ 24.96

Restricted Performance Units	
2005 LTIP	211,498
2013 LTIP	970,000
Other employee performance awards	715,000
Total	1,896,498

Stock-Based Compensation

In connection with DISH Network's 2012 Stock Option Adjustment, discussed previously, we recognized incremental non-cash, stock-based compensation expense of $4 million during the first quarter 2013 and will expense an additional $3 million over the remaining vesting period of the respective stock awards.

Total non-cash, stock-based compensation expense for all of our employees is shown in the following table and was allocated to the same expense categories as the base compensation for such employees:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Subscriber-related	$ 225	$ 357	$ 669	$ 1,194
General and administrative	4,332	6,400	14,107	27,650
Total non-cash, stock-based compensation	$ 4,557	$ 6,757	$ 14,776	$ 28,844

As of June 30, 2013, our total unrecognized compensation cost related to the non-performance based unvested stock awards was $18 million. This cost is based on an estimated future forfeiture rate of approximately 4.7% per year and will be recognized over a weighted-average period of approximately two years. Share-based compensation expense is recognized based on stock awards ultimately expected to vest and is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in the estimated forfeiture rate can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

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Valuation

The fair value of each stock option for the three and six months ended June 30, 2013 and 2012 was originally estimated at the date of the grant using a Black-Scholes option valuation model with the following assumptions:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Stock Options	2013	2012	2013	2012
Risk-free interest rate	0.91% - 1.86%	0.41% - 0.87%	0.91% - 1.93%	0.41% - 1.29%
Volatility factor	32.44% - 39.87%	33.15% - 38.87%	32.37% - 39.87%	33.15% - 39.34%
Expected term of options in years	5.7 - 9.8	3.1 - 5.8	5.7 - 10.0	3.1 - 5.9

Weighted-average fair value of options granted	$14.49 - $16.85	$6.72 - $10.72	$14.49 - $16.85	$6.72 - $12.69

On December 28, 2012 and December 1, 2011, DISH Network paid a $1.00 and a $2.00 cash dividend per share on its outstanding Class A and Class B common stock, respectively. While DISH Network currently does not intend to declare additional dividends on its common stock, it may elect to do so from time to time. Accordingly, the dividend yield percentage used in the Black-Scholes option valuation model is set at zero for all periods. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded stock options which have no vesting restrictions and are fully transferable. Consequently, our estimate of fair value may differ from other valuation models. Further, the Black-Scholes option valuation model requires the input of highly subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate.

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

8. Commitments and Contingencies

Wireless Spectrum

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

On February 15, 2013, the FCC issued an order, which became effective on March 7, 2013, modifying DISH Network's AWS-4 licenses to expand its terrestrial operating authority. The FCC's order of modification has imposed certain limitations on the use of a portion of this spectrum, including interference protections for other spectrum users and power and emission limits that DISH Network presently believes could render 5 MHz of its uplink spectrum (2000-2005 MHz) effectively unusable for terrestrial services and limit its ability to fully utilize the remaining 15 MHz of its uplink spectrum (2005-2020 MHz) for terrestrial services. These limitations could, among other things, impact the ongoing development of technical standards associated with DISH Network's wireless business, and may have a material adverse effect on DISH Network's ability to commercialize these licenses. The new rules also mandate certain interim and final build-out requirements for the licenses. By March 2017, DISH Network must provide terrestrial signal coverage and offer terrestrial service to at least 40% of the aggregate population represented by all of the areas covered by the licenses (the "AWS-4 Interim Build-out Requirement"). By March 2020, DISH Network must provide terrestrial signal coverage and offer terrestrial service to at least 70% of the population in each area covered by an individual license (the "AWS-4 Final Build-out Requirement"). If DISH Network fails to meet the AWS-4 Interim Build-out Requirement, the AWS-4 Final Build-out Requirement

will be accelerated by one year, from March 2020 to March 2019. If DISH Network fails to meet the AWS-4 Final Build-out Requirement, DISH Network's terrestrial authorization for each license area in which it fails to meet the requirement will terminate. In addition, the FCC has adopted rules for a spectrum band that is adjacent to DISH Network's AWS-4 licenses, known as the "H Block." Depending on the outcome of the standard-setting process for the H Block, the rules that the FCC adopted could further impact the remaining 15 MHz of DISH Network's uplink spectrum (2005-2020 MHz), which may have a material adverse effect on DISH Network's ability to commercialize the AWS-4 licenses.

In 2008, DISH Network paid $712 million to acquire certain 700 MHz wireless spectrum licenses, which were granted to DISH Network by the FCC in February 2009. These licenses mandate certain interim and final build-out requirements. By June 2013, DISH Network must provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the "700 MHz Interim Build-out Requirement"). By the end of DISH Network's license term (June 2019), DISH Network must provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the "700 MHz Final Build-out Requirement"). DISH Network recently notified the FCC of its plans to commence signal coverage in select cities within certain of these areas, but DISH Network has not yet developed plans for providing signal coverage and offering service in all of these areas. If DISH Network fails to meet the 700 MHz Interim Build-out Requirement, the term of DISH Network's licenses will be reduced, from June 2019 to June 2017, and DISH Network could face possible fines and the reduction of license area(s). On June 12, 2013, DISH Network filed a request with the FCC for an extension of the 700 MHz Interim Build-out Requirement. DISH Network cannot predict the timing or outcome of any FCC action on its extension request. If DISH Network fails to meet the 700 MHz Final Build-out Requirement, DISH Network's authorization for each license area in which it fails to meet the requirement will terminate.

DISH Network will need to make significant additional investments or partner with others to, among other things, finance the commercialization and build-out requirements of these licenses and DISH Network's integration efforts including compliance with regulations applicable to the acquired licenses. Depending on the nature and scope of such commercialization, build-out, and integration efforts, any such investment or partnership could vary significantly. We have made cash distributions to DISH Network to finance the acquisition of these licenses and may make additional cash distributions to, among other things, finance the commercialization and build-out requirements of these licenses and DISH Network's integration efforts including compliance with regulations applicable to the acquired licenses. There can be no assurance that DISH Network will be able to develop and implement a business model that will realize a return on these spectrum licenses or that DISH Network will be able to profitably deploy the assets represented by these spectrum licenses.

Guarantees

In connection with the Spin-off, we distributed certain satellite lease agreements to EchoStar and remained the guarantor under those capital leases for payments totaling approximately $77 million over approximately the next 20 months.

In addition, during the third quarter 2009, EchoStar entered into a new satellite transponder service agreement for Nimiq 5 through 2024. We sublease this capacity from EchoStar and DISH Network guarantees a certain portion of EchoStar's obligation under their satellite transponder service agreement through

2019. As of June 30, 2013, the remaining obligation of DISH Network's guarantee is $407 million.

As of June 30, 2013, we have not recorded a liability on the balance sheet for any of these guarantees.

Contingencies

Separation Agreement

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

Litigation

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

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

c4cast.com, Inc.

On May 7, 2012, c4cast.com, Inc. filed a complaint against DISH Network and its wholly-owned subsidiary, Blockbuster L.L.C., in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 7,958,204 (the "204 patent"), which is entitled "Community-Selected Content." The 204 patent relates to systems, methods and techniques for providing resources to participants over an electronic network.

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

ESPN

During 2008, our wholly-owned subsidiary, DISH Network L.L.C., filed a lawsuit against ESPN, Inc., ESPN Classic, Inc., ABC Cable Networks Group, Soapnet L.L.C. and International Family Entertainment (collectively, "ESPN") for breach of contract in New York State Supreme Court. Our complaint alleges that ESPN failed to provide us with certain HD feeds of the Disney Channel, ESPN News, Toon and ABC Family. In October 2011, the jury returned a verdict in favor of the defendants, which the New York State Supreme Court, Appellate Division, First Department (the "First Department") affirmed on April 2, 2013. We have sought leave to further appeal.

ESPN had asserted a counterclaim alleging that we owed approximately $35 million under the applicable affiliation agreements. On April 15, 2009, the New York State Supreme Court granted, in part, ESPN's motion for summary judgment on the counterclaim, finding that we are liable for some of the amount alleged to be owing but that the actual amount owing is disputed. On December 29, 2010, the First Department affirmed the partial grant of ESPN's motion for summary judgment on the counterclaim. After the partial grant of ESPN's motion for summary judgment, ESPN sought an additional $30 million under the applicable affiliation agreements. On March 15, 2010, the New York State Supreme Court ruled that we owe the full amount of approximately $66 million under the applicable affiliation agreements. As of December 31, 2010, we had $42 million recorded as a "Litigation accrual" on our Consolidated Balance Sheets.

On June 21, 2011, the First Department affirmed the New York State Supreme Court's ruling that we owe approximately $66 million under the applicable affiliation agreements and, on October 18, 2011, denied our motion for leave to appeal that decision to New York's highest court, the New York Court of Appeals. We sought leave to appeal directly to the New York Court of Appeals and, on January 10, 2012, the New York Court of Appeals dismissed our motion for leave on the ground that the ruling upon which we appealed does not fully resolve all claims in the action. As a result of the First Department's June 2011 ruling, during 2011, we recorded $24 million of "Litigation Expense" on our Consolidated Statements of Operations and Comprehensive Income (Loss). On October 11, 2012, the New York State Supreme Court awarded ESPN $5 million in attorneys' fees as the prevailing party on both our claim and ESPN's counterclaim. As a result, we recorded $5 million of "General and administrative expenses" and increased our "Litigation accrual" to a total of $71 million related to this case as of December 31, 2012. During the first quarter 2013, we paid $71 million to ESPN related to the counterclaim and attorneys' fees and $12 million for accrued interest, which amounts we may be able to recover if our further appeals are successful. We intend to vigorously prosecute and defend this case.

Harbinger Capital Partners LLC (LightSquared Bankruptcy)

On August 6, 2013, Harbinger Capital Partners LLC and other affiliates of Harbinger (collectively, "Harbinger"), the majority and controlling shareholders of LightSquared Inc. and its subsidiaries ("LightSquared"), filed an adversary proceeding against DISH Network, L-Band, EchoStar, Charles W. Ergen (our Chairman), other affiliates of Mr. Ergen, and certain other parties, in the LightSquared pending bankruptcy cases in the United States Bankruptcy Court for the Southern District of New York, which cases are jointly administered under the caption In re LightSquared Inc., et. al., Case No. 12-12080 (SCC). Harbinger has alleged, among other things, claims based on fraud, unfair competition, civil conspiracy and tortious interference with prospective economic advantage related to certain purchases of LightSquared secured debt by SP Special Opportunities, LLC, an entity controlled by Mr. Ergen. Harbinger has alleged damages in excess of $4 billion. We are not a party to this proceeding and have been advised by DISH Network and L-Band that they intend to vigorously defend this proceeding and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

The Hopper Litigation

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

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

a lawsuit against us and DISH Network L.L.C. in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature and the AutoHop feature infringe their copyrights, and (iii) CBS Broadcasting Inc., CBS Studios Inc. and Survivor Productions LLC filed a lawsuit against us and DISH Network L.L.C. in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature and the AutoHop feature infringe their copyrights. The Central District of California matters have been assigned to a single judge, but remain separate cases.

As a result of certain parties' competing venue-related motions brought in both the New York and California actions, and certain networks' filing various counterclaims and amended complaints, the claims are presently pending in the following venues: (1) the copyright and contract claims regarding the ABC and CBS parties are pending in New York; and (2) the copyright and contract claims regarding the Fox and NBC parties are pending in California. The NBC plaintiffs and Fox plaintiffs have filed amended complaints in their respective California actions adding copyright claims against EchoStar and EchoStar Technologies L.L.C. ("EchoStar Technologies"), a wholly-owned subsidiary of EchoStar. In addition, the Fox plaintiffs' amended complaint added claims challenging the Hopper Transfers™ feature of our second-generation Hopper set-top box. Additionally, both the ABC and CBS parties have filed counterclaims in the New York action adding copyright claims against EchoStar Technologies, and the CBS parties have filed a counterclaim alleging that we fraudulently concealed the AutoHop feature when negotiating renewal of our CBS retransmission consent agreement.

On September 21, 2012, the California court heard the Fox plaintiffs' motion for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features and, on November 7, 2012, entered an order denying the motion. The Fox plaintiffs appealed this order. On July 24, 2013, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs' motion for a preliminary injunction as to the PrimeTime Anytime and AutoHop features. On August 7, 2013, the Fox plaintiffs filed a petition for rehearing and rehearing en banc. On March 27, 2013, at the request of the parties, the Central District of California granted a stay of all proceedings in the action brought by the NBC plaintiffs, pending resolution of the appeal by the Fox plaintiffs.

On November 23, 2012, the ABC plaintiffs filed a motion in the New York action for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features, and we and the ABC plaintiffs have filed briefs related to that motion. On February 21, 2013, the Fox plaintiffs filed a second motion for preliminary injunction against: (i) us seeking to enjoin the Hopper Transfers feature in our second-generation Hopper set-top box, alleging breach of their retransmission consent agreement; and (ii) us and EchoStar Technologies seeking to enjoin the Sling placeshifting functionality in our second-generation Hopper set-top box, alleging copyright infringement and breach of their retransmission consent agreement. A hearing on that motion was held on April 19, 2013 and the court has not ruled on the motion.

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

Norman IP Holdings, LLC

On September 15, 2011, Norman IP Holdings, LLC ("Norman") filed a patent infringement complaint (the "2011 Action") against Lexmark International Corporation ("Lexmark") and Brother International Corporation ("Brother")

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in the United States District Court for the Eastern District of Texas alleging infringement of U.S. Patent No. 5,592,555 (the "555 patent"), U.S. Patent No. 5,530,597 (the "597 patent") and U.S. Patent No. 5,502,689 (the "689 patent") by Lexmark, and infringement of the 555 patent and the 689 patent by Brother. On January 27, 2012, Norman filed a second amended complaint in the 2011 Action that added DISH Network as a defendant, among others, in which it asserted the 555 patent and the 689 patent against us. On September 21, 2012, Norman served us with preliminary infringement contentions related to the 555 patent and the 689 patent, as well as the 597 patent, which outlined Norman's claims with respect to certain DISH products. On February 8, 2013, Norman filed a third amended complaint in the 2011 Action, in which it added claims against us alleging infringement of the 597 patent. On April 8, 2013, Norman filed a fourth amended complaint in the 2011 Action, in which it added new claims against us alleging infringement of additional DISH products. On May 1, 2013, Norman filed a fifth amended complaint in the 2011 Action, in which it named Mercedes-Benz USA, LLC, Volkswagen Group of America, Inc., Xerox Corporation, ZTE (USA) Inc., and ZTE Solutions, Inc. as defendants, in addition to us. On July 9, 2013, the Court ordered Norman to file a new sixth amended complaint limiting Norman's claims against us to those specifically referenced in the September 21, 2012 preliminary infringement contentions. As a result, on July 10, 2013, Norman filed a sixth amended complaint in the 2011 Action, in which it asserted claims against our wholly-owned subsidiary, DISH Network L.L.C., replacing DISH Network as defendant, alleging that the use of certain Broadcom chipsets in DISH DVR systems infringes the 689 patent. In addition, Norman withdrew all infringement claims against us regarding the 555 patent and the 597 patent. On July 12, 2013, we filed a motion to dismiss the 2011 Action, because Norman failed to comply with the Court's July 9, 2013 order. Our motion to dismiss is pending, and a trial date in the 2011 Action has been set for January 5, 2015.

In addition, on May 10, 2013, Norman filed a separate patent infringement complaint (the "2013 Action") against us in the United States District Court for the Eastern District of Texas, asserting infringement of the 555, 597 and 689 patents, as well as U.S. Patent No. 5,608,873 (the "873 patent") and U.S. Patent Number 5,771,394 (the "394 patent"). The infringement claims asserted in the 2013 Action relate to different DISH products than Norman identified in the 2011 Action. On June 26, 2013, we filed a motion to dismiss the 2013 Action, because Norman failed to join necessary parties. Our motion to dismiss is pending, and no trial date has been set for the 2013 Action.

The 689 patent, which is asserted in the 2011 Action and the 2013 Action, relates to a clock generator capable of shut-down mode and clock generation method. In the 2013 Action, the 555 patent relates to a wireless communications privacy method and system, the 597 patent relates to an interrupt enable circuit that allows devices to exit processes without using a hardware reset, the 873 patent relates to a device and method for providing inter-processor communication in a multi-processor architecture, and the 394 patent relates to a servo loop control apparatus having a master microprocessor and at least one autonomous streamlined signal processor. Norman is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

Olympic Developments AG, LLC

On January 20, 2011, Olympic Developments AG, LLC ("Olympic") filed suit against our wholly-owned subsidiary, DISH Network L.L.C., Atlantic Broadband, Inc., Bright House Networks, LLC, Cable One, Inc., Cequel Communications Holdings I, LLC, CSC Holdings, LLC, GCI Communication Corp., Insight Communications Company, Inc., Knology, Inc., Mediacom Communications Corporation and RCN Telecom Services, LLC in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 5,475,585 and 6,246,400. The patents relate to on-demand services. Olympic is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On June 13, 2011, the case was transferred to the Northern District of California. On November 7, 2011, the case was stayed pending reexamination

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by the U.S. Patent and Trademark Office. On March 12, 2013, Olympic voluntarily dismissed its claims against us without prejudice.

Personalized Media Communications, Inc.

During 2008, Personalized Media Communications, Inc. ("PMC") filed suit against DISH Network, EchoStar and Motorola Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 5,109,414, 4,965,825, 5,233,654, 5,335,277, and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Subsequently, Motorola Inc. settled with PMC, leaving EchoStar and DISH Network as defendants. On July 18, 2012, pursuant to a Court order, PMC filed a Second Amended Complaint that added Rovi Guides, Inc. (f/k/a/ Gemstar-TV Guide International, Inc.) and TVG-PMC, Inc. (collectively, "Gemstar") as a party, and added a new claim against all defendants seeking a declaratory judgment as to the scope of Gemstar's license to the patents in suit, under which DISH Network and EchoStar are sublicensees. A new trial date has not yet been set.

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

Pragmatus Telecom, LLC

On December 5, 2012, Pragmatus Telecom, LLC ("Pragmatus") filed a patent infringement lawsuit against DISH Network in the United States District Court for the District of Delaware alleging infringement of United States Patent Nos. 6,311,231, 6,668,286, and 7,159,043. Pragmatus alleges that the click-to-chat and click-to-call customer support features of the DISH web site and call center management systems infringe these patents. Pragmatus has brought similar complaints against more than 40 other companies, including Comcast, AT&T, Sprint, Frontier Communications, Bright House, UPS, FedEx, GM and Ford. Pragmatus is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On March 5, 2013, Pragmatus voluntarily dismissed with prejudice all claims in the action relating to allegedly infringing features provided by certain of our vendors. Pragmatus also voluntarily dismissed without prejudice all remaining claims in the action.

Premier International Associates, LLC

On August 3, 2012, Premier International Associates, LLC ("Premier International Associates") filed a complaint against us, our wholly-owned subsidiary, DISH Network L.L.C., DISH Network and EchoStar and its wholly-owned subsidiary, EchoStar Technologies L.L.C., in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. 6,243,725 (the "725 patent"), which is entitled "List Building System." The 725 patent relates to a system for building an inventory of audio/visual works. Premier International Associates is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On March 27, 2013, Premier International Associates dismissed the action against us and the EchoStar defendants with prejudice, pursuant to a settlement under which we and the EchoStar defendants made an immaterial payment in exchange for a license to certain patents and patent applications.

Preservation Technologies, LLC

In December 2011, Preservation Technologies, LLC ("Preservation Technologies") filed suit against DISH Network in the United States District Court for the Central District of California. In the Operative Seventh Amended Complaint, filed on March 22, 2013, Preservation Technologies also names Netflix, Inc., Hulu, LLC, AT&T Services, Inc., Cox Communications, Inc., Disney Online, American Broadcasting Companies, Inc., Yahoo! Inc., Wal-Mart Stores, Inc., Vudu, Inc. and ESPN Internet Ventures as defendants. Preservation

Technologies alleges that our BLOCKBUSTER On Demand, DISH branded pay-TV and DISH Online services and our Hopper and Joey® set-top boxes infringe U.S. Patent Nos. 5,813,014, 5,832,499, 6,092,080, 6,353,831, 6,574,638, 6,199,060, 5,832,495, 6,549,911, 6,212,527 and 6,477,537. The patents relate to digital libraries, the management of multimedia assets, and the cataloging of multimedia data. Preservation Technologies is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

Ronald A. Katz Technology Licensing, L.P.

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

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

Technology Development and Licensing L.L.C.

On January 22, 2009, Technology Development and Licensing L.L.C. ("TDL") filed suit against DISH Network and EchoStar in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. Re. 35,952, which relates to certain favorite channel features.

TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. In July 2009, the Court granted DISH Network's motion to stay the case pending two reexamination petitions before the U.S. Patent and Trademark Office.

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

TQP Development, LLC

On April 4, 2012, TQP Development, LLC ("TQP Development") filed suit against our wholly-owned subsidiary, DISH Network L.L.C., in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 5,412,730 titled "Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys." TQP Development is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On August 8, 2013, we and TQP Development filed a joint motion to dismiss all claims in the action with prejudice.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business, including, among other things, disputes with programmers regarding fees. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial 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.

9. Financial Information for Subsidiary Guarantors

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

10. Related Party Transactions

Related Party Transactions with DISH Network

On October 1, 2012, we made a distribution to DOC of the assets and liabilities associated with our satellite broadband business with a fair value of $66 million. This distribution resulted in a reduction in our historical net assets of $9 million and a deemed dividend of $57 million.

On December 2, 2012, the board of directors of DISH Network declared a dividend of $1.00 per share on its outstanding Class A and Class B common stock, or $453 million in the aggregate. On December 27, 2012, we paid a dividend of $850 million to DOC to fund the payment of DISH Network's dividend and other potential DISH Network cash needs.

Blockbuster. On April 26, 2011, our parent, DISH Network, completed the acquisition of most of the assets of Blockbuster, Inc. During the three and six months ended June 30, 2013, we recorded $4 million and $8 million, respectively, of "Subscriber-related expenses" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for Blockbuster services provided to our subscribers related to certain of our promotions. During the three and six months ended June 30, 2012, we recorded $5 million and $10 million for these Blockbuster services, respectively.

Blockbuster, Wireless and Other Operations. We provide certain administrative support such as legal, information systems, marketing, human resources, accounting and finance services to DISH Network's Blockbuster, Wireless and other operations. During the three and six months ended June 30, 2013, the expenses associated with these services were $2 million and $5 million, respectively. During the three and six months ended June 30, 2012, the expenses associated with these services were $2 million and $4 million, respectively.

Related Party Transactions with EchoStar

Following the Spin-off, EchoStar has operated as a separate public company, and we have no continued ownership interest in EchoStar. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

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

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

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

"Equipment sales, services and other revenue - EchoStar"

Remanufactured Receiver Agreement. We entered into a remanufactured receiver agreement with EchoStar pursuant to which EchoStar has the right, but not the obligation, to purchase remanufactured receivers and accessories from us at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. In November 2012, we and EchoStar extended this agreement until December 31, 2013. EchoStar may terminate the remanufactured receiver agreement for any reason upon at least 60 days notice to us. We may also terminate this agreement if certain entities acquire us.

Professional Services Agreement. Prior to 2010, in connection with the Spin-off, DISH Network entered into various agreements with EchoStar including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional Services Agreement. During 2009, DISH Network and EchoStar agreed that EchoStar shall continue to have the right, but not the obligation, to receive the following services from DISH Network, among others, certain of which were previously provided under the Transition Services Agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Additionally, DISH Network and EchoStar agreed that DISH Network shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement) and receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. The Professional Services Agreement automatically renewed on January 1, 2013 for an additional one-year period until January 1, 2014 and renews automatically for successive one-year periods thereafter, unless terminated earlier by either party upon at least 60 days notice. However, either party may terminate the Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days notice.

Management Services Agreement. In connection with the Spin-off, DISH Network entered into a Management Services Agreement with EchoStar pursuant to which DISH Network has made certain of its officers available to provide services (which are primarily legal and accounting services) to EchoStar. Specifically, Paul W. Orban remains employed by DISH Network, but also served as EchoStar's Senior Vice President and Controller through April 2012. EchoStar makes payments to DISH Network based upon an allocable portion of the personnel costs and expenses incurred by DISH Network with respect to such officers (taking into account wages and fringe benefits). These allocations are based upon the estimated percentages of time to be spent by DISH Network's executive officers performing services for EchoStar under the Management Services Agreement. EchoStar also reimburses DISH Network for direct out-of-pocket costs incurred by DISH Network for management services provided to EchoStar. DISH Network and EchoStar evaluate all charges for reasonableness at least annually and make any adjustments to these charges as DISH Network and EchoStar mutually agree upon.

The Management Services Agreement automatically renewed on January 1, 2013 for an additional one-year period until January 1, 2014 and renews automatically for successive one-year periods thereafter, unless terminated earlier:

(i) by EchoStar at any time upon at least 30 days notice; (ii) by DISH Network at the end of any renewal term, upon at least 180 days notice; or (iii) by DISH Network upon notice to EchoStar, following certain changes in control. Effective June 15, 2013, the Management Services Agreement was terminated by EchoStar.

Satellite Capacity Leased to EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which EchoStar leases certain satellite capacity on certain satellites owned by us. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite and the length of the lease. The term of each lease is set forth below:

EchoStar I. During 2009, we entered into a satellite capacity agreement pursuant to which EchoStar leases certain satellite capacity from us on EchoStar I. We and EchoStar mutually agreed to terminate this satellite capacity agreement effective as of July 1, 2012.

EchoStar XV. During May 2013, we began leasing certain satellite capacity to EchoStar on EchoStar XV and relocated the satellite for testing at EchoStar's Brazilian authorization at the 45 degree orbital location. Subject to certain conditions, (i) this lease terminates on February 1, 2014, (ii) EchoStar has certain rights to extend the service term of this lease for three years, and (iii) we have the right to terminate this lease prior to the date of expiration and have the satellite relocated from the 45 degree orbital location.

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

Varick Sublease Agreement. During 2008, DISH Network subleased certain space at 185 Varick Street, New York, New York to EchoStar for a period of approximately seven years.

El Paso Lease Agreement. During 2012, DISH Network leased certain space at 1285 Joe Battle Blvd. El Paso, Texas to EchoStar for a period ending on August 1, 2015, which also provides EchoStar with renewal options for four consecutive three-year terms.

"Satellite and transmission expenses — EchoStar"

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

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

broadcast services provided under this agreement depend, among other things, upon the cost to develop and provide such services.

Satellite Capacity Leased from EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which we lease certain satellite capacity on certain satellites owned or leased by EchoStar. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite and the length of the lease. The term of each lease is set forth below:

EchoStar VI, VIII and XII. The leases for EchoStar VI, VIII and XII generally terminate upon the earlier of: (i) the end of life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponders on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service and the exercise of certain renewal options. We generally have the option to renew each lease 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. Beginning in the first quarter 2013, the leases for the EchoStar VI and VIII satellites expired in accordance with their terms and we no longer leased capacity from EchoStar on EchoStar VI and VIII. During May 2013, we began leasing capacity from EchoStar on EchoStar VIII as an in-orbit spare. Subject to certain conditions, this lease terminates on February 1, 2014.

EchoStar IX. We lease certain satellite capacity from EchoStar on EchoStar IX. Subject to availability, we generally have the right to continue to lease satellite capacity from EchoStar on EchoStar IX on a month-to-month basis.

EchoStar XVI. During December 2009, we entered into a transponder service agreement with EchoStar to lease all of the capacity on EchoStar XVI, a DBS satellite, after its service commencement date. EchoStar XVI was launched during November 2012 to replace EchoStar XV at the 61.5 degree orbital location and is currently in service. Under the original transponder service agreement, the initial term generally expired upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite failed; (iii) the date the transponder(s) on which service was being provided under the agreement failed; or (iv) ten years following the actual service commencement date. Prior to expiration of the initial term, we also had the option to renew on a year-to-year basis through the end-of-life of the satellite. Effective December 21, 2012, we and EchoStar amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. Prior to expiration of the initial term, we have the option to renew for an additional six-year period. Prior to expiration of the initial term, EchoStar also has the right, upon certain conditions, to renew for an additional six-year period. If either we or EchoStar exercise our respective six-year renewal options, then we have the option to renew for an additional five-year period prior to expiration of the then-current term. There can be no assurance that any options to renew this agreement will be exercised.

Nimiq 5 Agreement. During 2009, EchoStar entered into a fifteen-year satellite service agreement with Telesat Canada ("Telesat") to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree orbital location (the "Telesat Transponder Agreement"). During 2009, EchoStar also entered into a satellite service agreement (the "DISH Nimiq 5 Agreement") with us, pursuant to which we currently receive service from EchoStar on all 32 of the DBS transponders covered by the Telesat Transponder Agreement. DISH Network has also guaranteed certain obligations of EchoStar under the Telesat Transponder Agreement. See discussion under "Guarantees" in Note 8.

Under the terms of the DISH Nimiq 5 Agreement, we make certain monthly payments to EchoStar that commenced in September 2009 when the Nimiq 5 satellite was placed into service and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire ten

years following the date it was placed into service. Upon expiration of the initial term we have the option to renew the DISH Nimiq 5 Agreement on a year-to-year basis through the end of life of the Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, we have certain rights to receive service from EchoStar on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that we will exercise our option to receive service on a replacement satellite.

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

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

103 Degree Orbital Location/SES-3. During May 2012, EchoStar entered into a spectrum development agreement (the "103 Spectrum Development Agreement") with Ciel Satellite Holdings Inc. ("Ciel") to develop certain spectrum rights at the 103 degree orbital location (the "103 Spectrum Rights"). During June 2013, we and EchoStar entered into a spectrum development agreement (the "DISH 103 Spectrum Development Agreement") pursuant to which we may use and develop the 103 Spectrum Rights. We will make a payment to EchoStar in exchange for these rights. In accordance with accounting principles that apply to transfers of assets between companies under common control, we recorded EchoStar's net book value of this asset in "Other noncurrent assets, net" on our Condensed Consolidated Balance Sheets and recorded the amount in excess of EchoStar's net book value as a capital distribution. Unless earlier terminated under the terms and conditions of the DISH 103 Spectrum Development Agreement, the term generally will continue for the duration of the 103 Spectrum Rights.

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

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

"General and administrative expenses — EchoStar"

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

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

- *Inverness Lease Agreement.* The lease for certain space at 90 Inverness Circle East in Englewood, Colorado is for a period ending on December 31, 2016. This agreement can be terminated by either party upon six months prior notice.

- *Meridian Lease Agreement.* The lease for all of 9601 S. Meridian Blvd. in Englewood, Colorado is for a period ending on December 31, 2016.

- *Santa Fe Lease Agreement.* The lease for all of 5701 S. Santa Fe Dr. in Littleton, Colorado is for a period ending on December 31, 2016 with a renewal option for one additional year.

- *EchoStar Data Networks Sublease Agreement.* The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia is for a period ending on October 31, 2016.

- *Gilbert Lease Agreement.* The lease for certain space at 801 N. DISH Dr. in Gilbert, Arizona is a month-to-month lease and can be terminated by either party upon 30 days prior notice.

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

DISHOnline.com Services Agreement. Effective January 1, 2010, we entered into a two-year agreement with EchoStar pursuant to which we receive certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. We have the option to renew this agreement for three successive one year terms and the agreement may be terminated for any reason upon at least 120 days notice to EchoStar. In November 2012, we exercised our right to renew this agreement for a one-year period ending on December 31, 2013.

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

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

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

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

Other Agreements — EchoStar

Receiver Agreement. EchoStar is currently our sole supplier of set-top box receivers. Effective January 1, 2012, we and EchoStar entered into a receiver agreement (the "2012 Receiver Agreement") pursuant to which we have the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment from EchoStar for the period from January 1, 2012 to December 31, 2014. We have an option, but not the obligation, to extend the 2012 Receiver Agreement for one additional year upon 180 days notice prior to the end of the term. The 2012 Receiver Agreement allows us to purchase digital set-top boxes, related accessories and other equipment from EchoStar either: (i) at a cost (decreasing as EchoStar reduces costs and increasing as costs increase) plus a dollar mark-up which will depend upon the cost of the product subject to a collar on EchoStar's mark-up; or (ii) at cost plus a fixed margin, which will depend on the nature of the equipment purchased. Under the 2012 Receiver Agreement, EchoStar's margins will be increased if they are able to reduce the costs of their digital set-top boxes and their margins will be reduced if these costs increase. EchoStar provides us with standard manufacturer warranties for the goods sold under the 2012 Receiver Agreement. Additionally, the 2012 Receiver Agreement includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters. We are able to terminate the 2012 Receiver Agreement for any reason upon at least 60 days notice to EchoStar. EchoStar is able to terminate the 2012 Receiver Agreement if certain entities acquire us.

For the three months ended June 30, 2013 and 2012, we purchased set-top boxes and other equipment from EchoStar of $309 million and $253 million, respectively. For the six months ended June 30, 2013 and 2012, we purchased set-top boxes and other equipment from EchoStar of $606 million and $491 million, respectively. These

amounts are initially included in "Inventory" and are subsequently capitalized as "Property and equipment, net" on our Condensed Consolidated Balance Sheets or expensed as "Subscriber acquisition costs" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed.

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

In light of the tax sharing agreement, among other things, and in connection with DISH Network's consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, during the third quarter 2013, DISH Network and EchoStar agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS' examination of these consolidated tax returns. As a result, DISH Network agreed to pay EchoStar $83 million of the tax benefit DISH Network received or will receive. Any payment to EchoStar, including accrued interest, will be made at such time as EchoStar would have otherwise been able to realize such tax benefit.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. ("DISH Broadband"), our wholly-owned subsidiary, was selected by the Rural Utilities Service ("RUS") of the United States Department of Agriculture to receive up to approximately $14 million in broadband stimulus grant funds (the "Grant Funds"). Effective November 2011, DISH Broadband and Hughes Network Systems, LLC ("HNS"), a wholly-owned subsidiary of Hughes Communications, Inc. ("Hughes"), entered into a RUS Implementation Agreement (the "RUS Agreement") pursuant to which HNS provides certain portions of the equipment and broadband service used to implement our RUS program. The initial term of the RUS Agreement shall continue until the earlier of: (i) September 24, 2013; or (ii) the date that the Grant Funds have been exhausted. In addition, DISH Broadband may terminate the RUS Agreement for convenience upon 45 days' prior written notice to HNS. During the three months ended June 30, 2013 and 2012, we expensed $2 million under this agreement which is included in "Cost of sales — equipment, services and other" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). During the six months ended June 30, 2013 and 2012, we expensed $3 million under this agreement. The RUS Agreement expired during June 2013 when the Grant Funds were exhausted.

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

Under the settlement agreement, all pending litigation was dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by DISH Network or EchoStar were dissolved. DISH Network and EchoStar are jointly responsible for making payments to TiVo in the aggregate amount of $500 million, including an initial payment of $300 million and the remaining $200 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with the Spin-off of EchoStar

from DISH Network, DISH Network made the initial payment to TiVo in May 2011, except for the contribution from EchoStar totaling approximately $10 million, representing an allocation of liability relating to EchoStar's sales of DVR-enabled receivers to an international customer. Future payments will be allocated between DISH Network and EchoStar based on historical sales of certain licensed products, with DISH Network being responsible for 95% of each annual payment.

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

Voom Settlement Agreement. On October 21, 2012, we entered into the Voom Settlement Agreement with Voom and Cablevision, and for certain limited purposes, MSG Holdings, L.P., The Madison Square Garden Company and EchoStar. The Voom Settlement Agreement resolved the litigation between the parties relating to the Voom programming services. EchoStar was a party to the Voom Settlement Agreement solely for the purposes of executing a mutual release of claims with Voom, Cablevision, MSG Holdings, L.P. and The Madison Square Garden Company relating to the Voom programming services.

Other Agreements

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

Related Party Transactions with NagraStar L.L.C.

NagraStar is a joint venture between EchoStar and Nagra USA, Inc. that is our provider of encryption and related security systems intended to assure that only authorized customers have access to our programming.

The table below summarizes our transactions with NagraStar.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Purchases (including fees):				
Purchases from NagraStar	$ 24,547	$ 17,355	$ 46,566	$ 34,839

	As of	
	June 30, 2013	December 31, 2012
	(In thousands)	
Amounts Payable and Commitments:		
Amounts payable to NagraStar	$ 20,188	$ 21,930

11. Subsequent Events

On July 23, 2013, L-Band Acquisition, LLC (“L-Band”), a wholly-owned subsidiary of DISH Network, formed to make a bid to acquire assets of LightSquared LP, entered into a Plan Support Agreement (the “PSA”) with certain senior secured lenders to LightSquared LP, which contemplates the purchase by L-Band of substantially all of the assets of the LightSquared LP Entities (as defined below) for a purchase price of $2.22 billion in cash, plus the assumption of certain liabilities pursuant to the terms and conditions of a proposed asset purchase agreement (the “Proposed APA”). SP Special Opportunities, LLC, an entity controlled by Charles W. Ergen, our Chairman, is a senior secured lender to LightSquared LP and holds a substantial portion of LightSquared LP’s senior secured debt. DISH Network is a party to the PSA solely with respect to certain guaranty obligations. DISH Network’s Board of Directors (the “Board”) approved entering into the PSA, which would implement the Proposed APA, based, among other things, on the recommendation of a special committee of the Board (the “Special Committee”) and a fairness opinion that was prepared by a financial advisory firm at the request of the Special Committee.

Pursuant to the PSA, L-Band and such lenders have agreed, subject to the terms and conditions set forth therein, to support and pursue confirmation of a plan of reorganization (the “LightSquared LP Plan”) for LightSquared LP and certain of its subsidiaries that are debtors and debtors in possession (collectively, the “LightSquared LP Entities”) in pending bankruptcy cases under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”), which cases are jointly administered under the caption In re LightSquared Inc., et. al., Case No. 12-12080 (SCC).

L-Band’s purchase offer under the LightSquared LP Plan is subject to the submission of higher and better offers in accordance with certain bid procedures to be proposed in connection with the LightSquared LP Plan. In addition, the LightSquared LP Plan is subject to confirmation by the Bankruptcy Court. The Proposed APA has not been negotiated with, or executed by, the LightSquared LP Entities. Consummation of the acquisition contemplated under the Proposed APA is subject to, among other things, Bankruptcy Court, FCC and Canadian federal Department of Industry (“Industry Canada”) approvals. However, funding of the purchase price under the Proposed APA is not conditioned upon receipt of approvals from the FCC or Industry Canada. DISH Network would be a party to the Proposed APA solely with respect to certain guaranty obligations.

On August 6, 2013, Harbinger filed an adversary proceeding against DISH Network, L-Band, EchoStar, Mr. Ergen, other affiliates of Mr. Ergen, and certain other parties, in the Bankruptcy Court. See Note 8 for further information.

We may make cash distributions to DISH Network to, among other things, finance the proposed purchase by L-Band of substantially all of the assets of the LightSquared LP Entities and to finance the commercialization and build-out requirements of the acquired licenses and DISH Network’s integration efforts including compliance with regulations applicable to the acquired licenses. There can be no assurance that DISH Network will ultimately be able to complete the acquisition contemplated under the Proposed APA. Further, to the extent that DISH Network completes the acquisition contemplated under the Proposed APA, there can be no assurance that DISH Network would be able to develop and implement a business model that would realize a return on the acquired assets or that DISH Network would be able to profitably deploy the acquired assets. If DISH Network is unable to successfully address these challenges and risks, its business, financial condition or results of operations could suffer.

Furthermore, if DISH Network enters into the Proposed APA, funding of the purchase price is not conditioned upon receipt of approvals from the FCC or Industry Canada. If the required approvals are not obtained, subject to certain exceptions, DISH Network would have the right to direct and require a sale of some or all of the assets of the LightSquared Entities to a third party and DISH Network would be entitled to the proceeds of such a sale. These proceeds could, however, be substantially less than amounts DISH Network would have funded under the Proposed APA. Therefore, if DISH Network fails to obtain these necessary regulatory approvals, it may suffer significant financial losses.

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

You should read the following narrative analysis of our results of operations together with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this quarterly report. This management's narrative analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2012, our Quarterly Report on Form 10-Q for the three months ended March 31, 2013 and this Quarterly Report on Form 10-Q under the caption "Item 1A. Risk Factors."

EXECUTIVE SUMMARY

Overview

DISH lost approximately 78,000 net Pay-TV subscribers during the three months ended June 30, 2013, compared to the loss of approximately 10,000 net Pay-TV subscribers during the same period in 2012. The increase in the number of net Pay-TV subscribers lost versus the same period in 2012 resulted from lower gross new Pay-TV subscriber activations and an increase in our Pay-TV churn rate.

During the three months ended June 30, 2013, DISH added approximately 624,000 gross new Pay-TV subscribers compared to the addition of approximately 665,000 gross new Pay-TV subscribers during the same period in 2012, a decrease of 6.2%. Our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing and discounted promotional offers. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Our Pay-TV churn rate for the three months ended June 30, 2013 was 1.67% compared to 1.60% for the same period in 2012. Our Pay-TV churn rate was negatively impacted in part because we had a programming package price increase in the first quarter 2013 and did not during the same period in 2012. Churn continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, the aggressiveness of competitor subscriber acquisition efforts, and our ability to control piracy and other forms of fraud.

DISH lost approximately 42,000 net Pay-TV subscribers during the six months ended June 30, 2013, compared to the addition of approximately 94,000 net Pay-TV subscribers during the same period in 2012. The decrease versus the same period in 2012 resulted from an increase in our Pay-TV churn rate and lower gross new Pay-TV subscriber activations. Our Pay-TV churn rate for the six months ended June 30, 2013 was 1.57% compared to 1.48% for the same period in 2012. Our Pay-TV churn rate was negatively impacted in part because we had a programming package price increase in the first quarter 2013 and did not during the same period in 2012. During the six months ended June 30, 2013, DISH added approximately 1.278 million gross new Pay-TV subscribers compared to approximately 1.338 million gross new Pay-TV subscribers during the same period in 2012, a decrease of 4.5%. Our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing and discounted promotional offers. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

"Net income (loss)" for the three and six months ended June 30, 2013 was $234 million and $440 million, respectively, compared to $222 million and $499 million, respectively, for the same period in 2012. During the three months ended June 30, 2013, net income increased primarily due to the programming package price increase in February 2013, partially offset by an increase in interest expense related to the issuance of debt in 2012 and the issuance and redemption of debt in 2013, and an increase in subscriber-related expenses. During the six months ended June 30, 2013, net income decreased primarily due to an increase in subscriber-related expenses and interest expense, partially offset by the programming package price increase in February 2013. The three and six months

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ended June 30, 2012 were unfavorably impacted by the $68 million of depreciation expense related to the 148 degree orbital location.

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

As the pay-TV industry has matured, we and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers of pay-TV services. Some of our competitors have been especially aggressive by offering discounted programming and services for both new and existing subscribers. In addition, programming offered over the Internet has become more prevalent as the speed and quality of broadband networks have improved. Significant changes in consumer behavior with regard to the means by which they obtain video entertainment and information in response to digital media competition could materially adversely affect our business, results of operations and financial condition or otherwise disrupt our business.

While economic factors have impacted the entire pay-TV industry, our relative performance has also been driven by issues specific to DISH. In the past, our Pay-TV subscriber growth has been adversely affected by signal theft and other forms of fraud and by operational inefficiencies at DISH. To combat signal theft and improve the security of our broadcast system, we completed the replacement of our security access devices to re-secure our system during 2009. We expect that additional future replacements of these devices will be necessary to keep our system secure. To combat other forms of fraud, we continue to expect that our third party distributors and retailers will adhere to our business rules.

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

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

successful, will accelerate the transition to MPEG-4 technology, resulting in an adverse effect on our acquisition costs per new subscriber activation.

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

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

On May 22, 2013, we launched a promotion whereby qualifying new Pay-TV subscribers may choose either an Apple® iPad® 2 or programming credits when they lease a Hopper with Sling set-top box and subscribe to America's Top 120, DishLATINO Plus or a higher programming package and commit to a two-year contract ("the iPad promotion").

During the second quarter 2012, the four major broadcast television networks filed lawsuits against us alleging, among other things, that the PrimeTime Anytime™ and AutoHop™ features of the Hopper set-top box infringe their copyrights. Subsequently, Fox has alleged that the Hopper Transfers™ feature of our second generation Hopper set-top-box infringes its copyrights. In the event a court ultimately determines that we infringe the asserted copyrights, we may be subject to, among other things, an injunction that could require us to materially modify or cease to offer these features. See Note 8 in the Notes to our Condensed Consolidated Financial Statements for further information.

Operational Liquidity

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

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

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

Availability of Credit and Effect on Liquidity

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

Future Liquidity

4 1/4% Senior Notes due 2018

On April 5, 2013, we issued $1.2 billion aggregate principal amount of our five-year, 4 1/4% Senior Notes due April 1, 2018 at an issue price of 100%. Interest accrues at an annual rate of 4 1/4% and is payable semi-annually in cash, in arrears on April 1 and October 1 of each year, commencing on October 1, 2013.

5 1/8% Senior Notes due 2020

On April 5, 2013, we issued $1.1 billion aggregate principal amount of our seven-year, 5 1/8% Senior Notes due May 1, 2020 at an issue price of 100%. Interest accrues at an annual rate of 5 1/8% and is payable semi-annually in cash, in arrears on May 1 and November 1 of each year, commencing on November 1, 2013.

Wireless Spectrum

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

On February 15, 2013, the FCC issued an order, which became effective on March 7, 2013, modifying DISH Network's AWS-4 licenses to expand its terrestrial operating authority. The FCC's order of modification has imposed certain limitations on the use of a portion of this spectrum, including interference protections for other spectrum users and power and emission limits that DISH Network presently believes could render 5 MHz of its uplink spectrum (2000-2005 MHz) effectively unusable for terrestrial services and limit its ability to fully utilize the remaining 15 MHz of its uplink spectrum (2005-2020 MHz) for terrestrial services. These limitations could, among other things, impact the ongoing development of technical standards associated with DISH Network's wireless business, and may have a material adverse effect on DISH Network's ability to commercialize these licenses. The new rules also mandate certain interim and final build-out requirements for the licenses. By March 2017, DISH Network must provide terrestrial signal coverage and offer terrestrial service to at least 40% of the aggregate population represented by all of the areas covered by the licenses (the "AWS-4 Interim Build-out Requirement"). By March 2020, DISH Network must provide terrestrial signal coverage and offer terrestrial service to at least 70% of the population in each area covered by an individual license (the "AWS-4 Final Build-out Requirement"). If DISH Network fails to meet the AWS-4 Interim Build-out Requirement, the AWS-4 Final Build-out Requirement will be accelerated by one year, from March 2020 to March 2019. If DISH Network fails to meet the AWS-4 Final Build-out Requirement, DISH Network's terrestrial authorization for each license area in which it fails to meet the requirement will terminate. In addition, the FCC has adopted rules for a spectrum band that is adjacent to DISH Network's AWS-4 licenses, known as the "H Block." Depending on the outcome of the standard-setting process for the H Block, the rules that the FCC adopted could further impact the remaining 15 MHz of DISH Network's uplink spectrum (2005-2020 MHz), which may have a material adverse effect on DISH Network's ability to commercialize the AWS-4 licenses.

In 2008, DISH Network paid $712 million to acquire certain 700 MHz wireless spectrum licenses, which were granted to DISH Network by the FCC in February 2009. These licenses mandate certain interim and final build-out requirements. By June 2013, DISH Network must provide signal coverage and offer service to at least 35% of the geographic area in each area covered by each individual license (the "700 MHz Interim Build-out Requirement"). By the end of DISH Network's license term (June 2019), DISH Network must provide signal coverage and offer service to at least 70% of the geographic area in each area covered by each individual license (the "700 MHz Final Build-out Requirement"). DISH Network recently notified the FCC of its plans to commence signal coverage in select cities within certain of these areas, but DISH Network has not yet developed plans for providing signal coverage and offering service in all of these areas. If DISH Network fails to meet the 700 MHz Interim Build-out Requirement, the term of DISH Network's licenses will be reduced, from June 2019 to June 2017, and DISH Network could face possible fines and the reduction of license area(s). On June 12, 2013, DISH Network filed a request with the FCC for an extension of the 700 MHz Interim Build-out Requirement. DISH Network cannot predict the timing or outcome of any FCC action on its extension request. If DISH Network fails to meet the 700 MHz Final Build-out Requirement, DISH Network's authorization for each license area in which it fails to meet the requirement will terminate.

DISH Network will need to make significant additional investments or partner with others to, among other things, finance the commercialization and build-out requirements of these licenses and DISH Network's integration efforts including compliance with regulations applicable to the acquired licenses. Depending on the nature and scope of such commercialization, build-out, and integration efforts, any such investment or partnership could vary significantly. We have made cash distributions to DISH Network to finance the acquisition of these licenses and may make additional cash distributions to, among other things, finance the commercialization and build-out requirements of these licenses and DISH Network's integration efforts including compliance with regulations applicable to the acquired licenses. There can be no assurance that DISH Network will be able to develop and implement a business model that will realize a return on these spectrum licenses or that DISH Network will be able to profitably deploy the assets represented by these spectrum licenses.

Covenants and Restrictions Related to our Senior Notes

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

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. "Subscriber-related revenue" consists principally of revenue from basic, premium movie, local, HD programming, pay-per-view, Latino and international subscription television services, broadband services, equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment, equipment upgrade fees and additional outlet fees from subscribers with receivers with multiple tuners, advertising services, fees earned from our in-home service operations and other subscriber revenue. Certain of the amounts included in "Subscriber-related revenue" are not recurring on a monthly basis. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have revenue related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Equipment sales and other revenue. "Equipment sales and other revenue" principally includes the non-subsidized sales of DBS accessories to retailers and other third party distributors of our equipment domestically and to Pay-TV subscribers, as well as other hardware sales to Pay-TV subscribers related to the iPad promotion.

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

Subscriber-related expenses. "Subscriber-related expenses" principally include programming expenses, which represent a substantial majority of these expenses. "Subscriber-related expenses" also include costs for pay-TV and broadband services incurred in connection with our in-home service and call center operations, billing costs, refurbishment and repair costs related to receiver systems, subscriber retention, other variable subscriber expenses and monthly wholesale fees paid to broadband providers. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Satellite and transmission expenses — EchoStar. "Satellite and transmission expenses — EchoStar" includes the cost of leasing satellite and transponder capacity from EchoStar and the cost of digital broadcast operations provided to us by EchoStar, including satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, and other professional services.

Satellite and transmission expenses — other. "Satellite and transmission expenses — other" includes executory costs associated with capital leases and costs associated with transponder leases and other related services.

Cost of sales - equipment, services and other. "Cost of sales - equipment, services and other" principally includes the cost of non-subsidized sales of DBS accessories to retailers and other third party distributors of our equipment domestically and to Pay-TV subscribers, as well as the cost of other hardware sales to Pay-TV subscribers related to the iPad promotion. In addition, this category includes costs related to equipment sales, services, and other agreements with EchoStar.

Subscriber acquisition costs. In addition to leasing receivers, we generally subsidize installation and all or a portion of the cost of our receiver systems to attract new Pay-TV subscribers. Our "Subscriber acquisition costs" include the cost of subsidized sales of receiver systems to retailers and other third party distributors of our equipment, the cost of subsidized sales of receiver systems directly by us to subscribers, including net costs related to our promotional incentives, costs related to our direct sales efforts and costs related to installation and acquisition advertising. We exclude the value of equipment capitalized under our lease program for new Pay-TV and broadband subscribers from "Subscriber acquisition costs." On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

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

General and administrative expenses. "General and administrative expenses" consists primarily of employee-related costs associated with administrative services such as legal, information systems, accounting and finance, including non-cash, stock-based compensation expense. It also includes outside professional fees (e.g., legal, information systems and accounting services) and other items associated with facilities and administration.

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

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

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

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

***"Pay-TV subscribers*.**" We include customers obtained through direct sales, third party retailers and other third party distribution relationships in our Pay-TV subscriber count. We also provide pay-TV service to hotels, motels and other commercial accounts. For certain of these commercial accounts, we divide our total revenue for these commercial accounts by an amount approximately equal to the retail price of our DISH America programming package, and include the resulting number, which is substantially smaller than the actual number of commercial units served, in our Pay-TV subscriber count.

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

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

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RESULTS OF OPERATIONS

Three Months Ended June 30, 2013 Compared to the Three Months Ended June 30, 2012.

Statements of Operations Data	For the Three Months Ended June 30, 2013	2012	Variance Amount	%
	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 3,412,233	$ 3,289,376	$ 122,857	3.7
Equipment sales and other revenue	23,950	22,567	1,383	6.1
Equipment sales, services and other revenue - EchoStar	8,739	5,678	3,061	53.9
Total revenue	3,444,922	3,317,621	127,301	3.8
Costs and Expenses:				
Subscriber-related expenses	1,893,046	1,825,061	67,985	3.7
% of Subscriber-related revenue	**55.5%**	**55.5%**		
Satellite and transmission expenses - EchoStar	123,725	106,635	17,090	16.0
% of Subscriber-related revenue	**3.6%**	**3.2%**		
Satellite and transmission expenses - Other	10,104	9,611	493	5.1
% of Subscriber-related revenue	**0.3%**	**0.3%**		
Cost of sales - equipment, services and other	20,720	19,680	1,040	5.3
Subscriber acquisition costs	395,495	406,844	(11,349)	(2.8)
General and administrative expenses	172,506	168,114	4,392	2.6
% of Total revenue	**5.0%**	**5.1%**		
Depreciation and amortization	228,165	279,438	(51,273)	(18.3)
Total costs and expenses	2,843,761	2,815,383	28,378	1.0
Operating income (loss)	601,161	502,238	98,923	19.7
Other Income (Expense):				
Interest income	9,742	4,250	5,492	*
Interest expense, net of amounts capitalized	(247,461)	(148,830)	(98,631)	(66.3)
Other, net	65	(797)	862	*
Total other income (expense)	(237,654)	(145,377)	(92,277)	(63.5)

Income (loss) before income taxes	363,507	356,861	6,646	1.9
Income tax (provision) benefit, net	(129,625)	(134,951)	5,326	3.9
Effective tax rate	**35.7%**	**37.8%**		
Net income (loss)	$ 233,882	$ 221,910	$ 11,972	5.4
Other Data:				
Pay-TV subscribers, as of period end (in millions)	14.014	14.061	(0.047)	(0.3)
Pay-TV subscriber additions, gross (in millions)	0.624	0.665	(0.041)	(6.2)
Pay-TV subscriber additions, net (in millions)	(0.078)	(0.010)	(0.068)	*
Pay-TV average monthly subscriber churn rate	1.67%	1.60%	0.07%	4.4
Pay-TV average subscriber acquisition cost per subscriber (“Pay-TV SAC”)	$ 882	$ 800	$ 82	10.3
Pay-TV average monthly revenue per subscriber (“Pay-TV ARPU”)	$ 80.90	$ 77.59	$ 3.31	4.3
EBITDA (in thousands)	$ 829,391	$ 780,879	$ 48,512	6.2

* Percentage is not meaningful.

Pay-TV subscribers. DISH lost approximately 78,000 net Pay-TV subscribers during the three months ended June 30, 2013, compared to the loss of approximately 10,000 net Pay-TV subscribers during the same period in 2012. The increase in the number of net Pay-TV subscribers lost versus the same period in 2012 resulted from lower gross new Pay-TV subscriber activations and an increase in our Pay-TV churn rate.

During the three months ended June 30, 2013, DISH added approximately 624,000 gross new Pay-TV subscribers compared to the addition of approximately 665,000 gross new Pay-TV subscribers during the same period in 2012, a decrease of 6.2%. Our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing and discounted promotional offers. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Our Pay-TV churn rate for the three months ended June 30, 2013 was 1.67% compared to 1.60% for the same period in 2012. Our Pay-TV churn rate was negatively impacted in part because we had a programming package price increase in the first quarter 2013 and did not during the same period in 2012. Churn continues to be adversely affected by increased competitive pressures, including aggressive marketing and discounted promotional offers. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, the aggressiveness of competitor subscriber acquisition efforts, and our ability to control piracy and other forms of fraud.

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

Subscriber-related revenue. “Subscriber-related revenue” totaled $3.412 billion for the three months ended June 30, 2013, an increase of $123 million or 3.7% compared to the same period in 2012. The change in “Subscriber-related revenue” from the same period in 2012 was primarily related to the increase in Pay-TV ARPU discussed below. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have revenue related to a satellite broadband business. Included in “Subscriber-related revenue” was $18 million of revenue related to broadband services for the three months ended June 30, 2012. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Pay-TV ARPU. Pay-TV ARPU was $80.90 during the three months ended June 30, 2013 versus $77.59 during the same period in 2012. The $3.31 or 4.3% increase in Pay-TV ARPU was primarily attributable to the programming package price increase in February 2013 and higher hardware related revenue, partially offset by a decrease in pay-per-view revenue.

Subscriber-related expenses. “Subscriber-related expenses” totaled $1.893 billion during the three months ended June 30, 2013, an increase of $68 million or 3.7% compared to the same period in 2012. The increase in “Subscriber-related expenses” was primarily attributable to higher pay-TV programming and retention costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates. Included in “Subscriber-related expenses” was $8 million of expense related to our broadband services for the three months ended June 30, 2012. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion. “Subscriber-related expenses” represented 55.5% of “Subscriber-related revenue” during each of the three months ended June 30, 2013 and 2012.

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

Satellite and transmission expenses — EchoStar. "Satellite and transmission expenses — EchoStar" totaled $124 million during the three months ended June 30, 2013, an increase of $17 million or 16.0% compared to the same period in 2012. The increase in "Satellite and transmission expenses — EchoStar" is related to an increase in transponder capacity leased from EchoStar primarily related to the EchoStar XVI satellite, which was launched in November 2012 and QuetzSat-1, which commenced commercial operation at the 77 degree orbital slot in February 2013. This increase was partially offset by a decrease in transponder capacity leased from EchoStar primarily related to the expiration of the EchoStar VI lease in first quarter 2013. See Note 10 in the Notes to our Condensed Consolidated Financial Statements for further discussion.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled $395 million for the three months ended June 30, 2013, a decrease of $11 million or 2.8% compared to the same period in 2012. This decrease was primarily attributable to a decrease in our gross new Pay-TV subscriber activations during the period, partially offset by the increase in Pay-TV SAC described below. Included in "Subscriber acquisition costs" was $6 million of expenses related to our broadband services for the three months ended June 30, 2012. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Pay-TV SAC. Pay-TV SAC was $882 during the three months ended June 30, 2013 compared to $800 during the same period in 2012, an increase of $82 or 10.3%. This increase was primarily attributable to increased advertising and equipment costs. Advertising costs were up $12 per activation reflecting increased brand spending related to the launch of our new Hopper with Sling set-top box in February 2013. Capitalized equipment costs increased $49 per activation, primarily due to an increase in the percentage of new subscriber activations with new Hopper receiver systems. In addition, the Hopper with Sling set-top box cost per unit is currently higher than the original Hopper set-top box.

During the three months ended June 30, 2013 and 2012, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled $154 million and $132 million, respectively. This increase in capital expenditures under our lease program for new Pay-TV subscribers resulted primarily from the factors described above.

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

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the three months ended June 30, 2013 and 2012, these amounts totaled $32 million and $36 million, respectively.

We have been deploying receivers that utilize 8PSK modulation technology and receivers that utilize MPEG-4 compression technology for several years. These technologies, when fully deployed, will allow more programming channels to be carried over our existing satellites. Many of our customers today, however, do not have receivers that use MPEG-4 compression and a smaller but still significant number do not have receivers that use 8PSK modulation. We may choose to invest significant capital to accelerate the conversion of customers to MPEG-4 and/or 8PSK to realize the bandwidth benefits sooner. In addition, given that all of our HD content is broadcast in MPEG-4, any growth in HD penetration will naturally accelerate our transition to these newer technologies and may

increase our subscriber acquisition and retention costs. All new receivers that we purchase from EchoStar have MPEG-4 technology. Although we continue to refurbish and redeploy certain MPEG-2 receivers, as a result of our HD initiatives and current promotions, we currently activate most new customers with higher priced MPEG-4 technology. This limits our ability to redeploy MPEG-2 receivers and, to the extent that our promotions are successful, will accelerate the transition to MPEG-4 technology, resulting in an adverse effect on our SAC.

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

Depreciation and amortization. "Depreciation and amortization" expense totaled $228 million during the three months ended June 30, 2013, a $51 million or 18.3% decrease compared to the same period in 2012. The change in "Depreciation and amortization" expense was primarily due to the $68 million of depreciation expense related to the 148 degree orbital location during 2012, partially offset by increased depreciation expense from equipment leased to subscribers primarily related to subscriber activations with new Hopper receiver systems in the second quarter 2013.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $247 million during the three months ended June 30, 2013, an increase of $99 million or 66.3% compared to the same period in 2012. This change primarily resulted from an increase in interest expense associated with the issuance of debt during 2012 and 2013, as well as the redemption of debt during the second quarter of 2013. Included in "Interest expense, net of amounts capitalized" for the three months ended June 30, 2013 was $30 million in premiums, interest expense and deferred financing costs related to the issuance and redemption of our 6 1/4% Senior Notes due 2023 and our 5% Senior Notes due 2017. See Note 6 in the Notes to the Condensed Consolidated Financial Statements for further information.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $829 million during the three months ended June 30, 2013, an increase of $49 million or 6.2% compared to the same period in 2012. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended June 30,	
	2013	2012

		(In thousands)		
EBITDA	$	829,391	$	780,879
Interest expense, net		(237,719)		(144,580)
Income tax (provision) benefit, net		(129,625)		(134,951)
Depreciation and amortization		(228,165)		(279,438)
Net income (loss)	$	233,882	$	221,910

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

Income tax (provision) benefit, net. Our income tax provision was $130 million during the three months ended June 30, 2013, a decrease of $5 million compared to the same period in 2012. The decrease in the provision was primarily related to a decrease in our effective tax rate, partially offset by an increase in "Income (loss) before income taxes." Our effective tax rate was favorably impacted by the recent audit settlement with the IRS related to periods prior to 2009.

Net income (loss). "Net income (loss)" was $234 million during the three months ended June 30, 2013, an increase of $12 million compared to $222 million for the same period in 2012. This increase was primarily attributable to the changes in revenue and expenses discussed above.

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Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012.

Statements of Operations Data	For the Six Months Ended June 30, 2013	For the Six Months Ended June 30, 2012	Variance Amount	Variance %
	(In thousands)			
Revenue:				
Subscriber-related revenue	$ 6,722,588	$ 6,508,322	$ 214,266	3.3
Equipment sales and other revenue	48,568	44,180	4,388	9.9
Equipment sales, services and other revenue - EchoStar	10,024	12,345	(2,321)	(18.8)
Total revenue	6,781,180	6,564,847	216,333	3.3
Costs and Expenses:				
Subscriber-related expenses	3,780,639	3,587,995	192,644	5.4
% of Subscriber-related revenue	**56.2%**	**55.1%**		
Satellite and transmission expenses - EchoStar	234,718	215,756	18,962	8.8
% of Subscriber-related revenue	**3.5%**	**3.3%**		
Satellite and transmission expenses - Other	20,085	20,185	(100)	(0.5)
% of Subscriber-related revenue	**0.3%**	**0.3%**		
Cost of sales - equipment, services and other	40,716	42,628	(1,912)	(4.5)
Subscriber acquisition costs	825,213	806,064	19,149	2.4
General and administrative expenses	330,874	339,278	(8,404)	(2.5)
% of Total revenue	**4.9%**	**5.2%**		
Depreciation and amortization	433,661	476,733	(43,072)	(9.0)
Total costs and expenses	5,665,906	5,488,639	177,267	3.2
Operating income (loss)	1,115,274	1,076,208	39,066	3.6
Other Income (Expense):				
Interest income	16,950	5,942	11,008	*
Interest expense, net of amounts capitalized	(443,227)	(283,116)	(160,111)	(56.6)
Other, net	193	1,908	(1,715)	(89.9)
Total other income (expense)	(426,084)	(275,266)	(150,818)	(54.8)
Income (loss) before income taxes	689,190	800,942	(111,752)	(14.0)
Income tax (provision) benefit, net	(249,077)	(301,542)	52,465	17.4
Effective tax rate	**36.1%**	**37.6%**		
Net income (loss)	$ 440,113	$ 499,400	$ (59,287)	(11.9)
Other Data:				
Pay-TV subscribers, as of period end (in millions)	14.014	14.061	(0.047)	(0.3)
Pay-TV subscriber additions, gross (in millions)	1.278	1.338	(0.060)	(4.5)
Pay-TV subscriber additions, net (in millions)	(0.042)	0.094	(0.136)	*
Pay-TV average monthly subscriber churn rate	1.57%	1.48%	0.09%	6.1
Pay-TV average subscriber acquisition cost per subscriber ("Pay-TV SAC")	$ 882	$ 773	$ 109	14.1
Pay-TV average monthly revenue per subscriber ("Pay-TV ARPU")	$ 79.72	$ 76.92	$ 2.80	3.6

EBITDA (in thousands)	$	1,549,128	$	1,554,849	$	(5,721)	(0.4)

* Percentage is not meaningful.

Pay-TV subscribers. DISH lost approximately 42,000 net Pay-TV subscribers during the six months ended June 30, 2013, compared to the addition of approximately 94,000 net Pay-TV subscribers during the same period in 2012. The decrease versus the same period in 2012 resulted from an increase in our Pay-TV churn rate and lower gross new Pay-TV subscriber activations. Our Pay-TV churn rate for the six months ended June 30, 2013 was 1.57% compared to 1.48% for the same period in 2012. Our Pay-TV churn rate was negatively impacted in part because we had a programming package price increase in the first quarter 2013 and did not during the same period in 2012. During the six months ended June 30, 2013, DISH added approximately 1.278 million gross new Pay-TV subscribers compared to approximately 1.338 million gross new Pay-TV subscribers during the same period in 2012, a decrease of 4.5%. Our gross new Pay-TV subscriber activations continue to be negatively impacted by increased competitive pressures, including aggressive marketing and discounted promotional offers. In addition, our gross new Pay-TV subscriber activations continue to be adversely affected by sustained economic weakness and uncertainty.

Subscriber-related revenue. "Subscriber-related revenue" totaled $6.723 billion for the six months ended June 30, 2013, an increase of $214 million or 3.3% compared to the same period in 2012. The change in "Subscriber-related revenue" from the same period in 2012 was primarily related to the increase in Pay-TV ARPU discussed below. Included in "Subscriber-related revenue" was $35 million of revenue related to broadband services for the six months ended June 30, 2012. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have revenue related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Pay-TV ARPU. Pay-TV ARPU was $79.72 during the six months ended June 30, 2013 versus $76.92 during the same period in 2012. The $2.80 or 3.6% increase in Pay-TV ARPU was primarily attributable to the programming package price increase in February 2013 and higher hardware related revenue.

Subscriber-related expenses. "Subscriber-related expenses" totaled $3.781 billion during the six months ended June 30, 2013, an increase of $193 million or 5.4% compared to the same period in 2012. The increase in "Subscriber-related expenses" was primarily attributable to higher pay-TV programming and retention costs. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates. Included in "Subscriber-related expenses" was $15 million of expense related to our broadband services for the six months ended June 30, 2012. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion. "Subscriber-related expenses" represented 56.2% and 55.1% of "Subscriber-related revenue" during the six months ended June 30, 2013 and 2012, respectively. The change in this expense to revenue ratio primarily resulted from higher programming costs, discussed above.

Satellite and transmission expenses — EchoStar. "Satellite and transmission expenses — EchoStar" totaled $235 million during the six months ended June 30, 2013, an increase of $19 million or 8.8% compared to the same period in 2012. The increase in "Satellite and transmission expenses — EchoStar" is related to an increase in transponder capacity leased from EchoStar primarily related to the EchoStar XVI satellite, which was launched in November 2012 and QuetzSat-1, which commenced commercial operation at the 77 degree orbital slot in February 2013. This increase was partially offset by a decrease in transponder capacity leased from EchoStar primarily related to the expiration of the EchoStar VI lease in first quarter 2013.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled $825 million for the six months ended June 30, 2013, an increase of $19 million or 2.4% compared to the same period in 2012. This change was primarily attributable to an increase in Pay-TV SAC described below, partially offset by a decrease in gross new Pay-TV subscriber activations. Included in "Subscriber acquisition costs" was $10 million of expense related to our broadband services for the six months ended June 30, 2012. On October 1, 2012, the assets and liabilities associated with our satellite broadband business were distributed to DISH Network. As a result, beginning in the fourth quarter 2012, we no

longer have costs related to a satellite broadband business. See Note 10 in the Notes to the Condensed Consolidated Financial Statements for further discussion.

Pay-TV SAC. Pay-TV SAC was $882 during the six months ended June 30, 2013 compared to $773 during the same period in 2012, an increase of $109 or 14.1%. This increase was primarily attributable to increased advertising and equipment costs. Advertising costs were up $28 per activation reflecting increased brand spending related to the launch of our new Hopper with Sling set-top box in February 2013. Capitalized equipment costs increased $57 per activation, primarily due to an increase in the percentage of new subscriber activations with new Hopper receiver systems. In addition, the Hopper with Sling set-top box cost per unit is currently higher than the original Hopper set-top box.

During the six months ended June 30, 2013 and 2012, the amount of equipment capitalized under our lease program for new Pay-TV subscribers totaled $301 million and $239 million, respectively. This increase in capital expenditures under our lease program for new Pay-TV subscribers resulted primarily from the factors described above.

Our Pay-TV SAC calculation does not reflect any benefit from payments we received in connection with equipment not returned to us from disconnecting lease subscribers and returned equipment that is made available for sale or used in our existing customer lease program rather than being redeployed through our new customer lease program. During the six months ended June 30, 2013 and 2012, these amounts totaled $77 million and $66 million, respectively.

Depreciation and amortization. "Depreciation and amortization" expense totaled $434 million during the six months ended June 30, 2013, a $43 million or 9.0% decrease compared to the same period in 2012. This change in "Depreciation and amortization" expense was primarily due the $68 million of depreciation expense related to the 148 degree orbital location during in 2012, partially offset by increased depreciation expense from equipment leased to subscribers primarily related to subscriber activations with new Hopper receiver systems in the second quarter 2013.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $443 million during the six months ended June 30, 2013, an increase of $160 million or 56.6% compared to the same period in 2012. This change primarily resulted from an increase in interest expense associated with the issuance of debt during 2012 and 2013 as well as the redemption of debt during the second quarter of 2013. Included in "Interest expense, net of amounts capitalized" for the six months ended June 30, 2013 was $30 million in premiums, interest expense and deferred financing costs related to the issuance and redemption of our 6 1/4% Senior Notes due 2023 and our 5% Senior Notes due 2017.

Earnings before interest, taxes, depreciation and amortization. EBITDA was $1.549 billion during the six months ended June 30, 2013, a decrease of $6 million or 0.4% compared to the same period in 2012. The following table reconciles EBITDA to the accompanying financial statements.

	For the Six Months Ended June 30, 2013	2012
	(In thousands)	
EBITDA	$ 1,549,128	$ 1,554,849
Interest expense, net	(426,277)	(277,174)
Income tax (provision) benefit, net	(249,077)	(301,542)
Depreciation and amortization	(433,661)	(476,733)
Net income (loss)	$ 440,113	$ 499,400

EBITDA is not a measure determined in accordance with GAAP and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and we believe it to be a helpful measure for those evaluating companies in the pay-TV industry. Conceptually, EBITDA measures the amount of income

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generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Income tax (provision) benefit, net. Our income tax provision was $249 million during the six months ended June 30, 2013, a decrease of $52 million compared to the same period in 2012. The decrease in the provision was primarily related to the decrease in "Income (loss) before income taxes" and a decrease in our effective tax rate. Our effective tax rate was favorably impacted by the recent audit settlement with the IRS related to periods prior to 2009.

Net income (loss). "Net income (loss)" was $440 million during the six months ended June 30, 2013, a decrease of $59 million compared to $499 million for the same period in 2012. This decrease was primarily attributable to the changes in revenue and expenses discussed above.

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Item 4. CONTROLS AND PROCEDURES

Conclusion regarding disclosure controls and procedures

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

Changes in internal control over financial reporting

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

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

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

c4cast.com, Inc.

On May 7, 2012, c4cast.com, Inc. filed a complaint against DISH Network and its wholly-owned subsidiary, Blockbuster L.L.C., in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 7,958,204 (the "204 patent"), which is entitled "Community-Selected Content." The 204 patent relates to systems, methods and techniques for providing resources to participants over an electronic network.

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

ESPN

During 2008, our wholly-owned subsidiary, DISH Network L.L.C., filed a lawsuit against ESPN, Inc., ESPN Classic, Inc., ABC Cable Networks Group, Soapnet L.L.C. and International Family Entertainment (collectively, "ESPN") for breach of contract in New York State Supreme Court. Our complaint alleges that ESPN failed to provide us with certain HD feeds of the Disney Channel, ESPN News, Toon and ABC Family. In October 2011, the jury returned a verdict in favor of the defendants, which the New York State Supreme Court, Appellate Division, First Department (the "First Department") affirmed on April 2, 2013. We have sought leave to further appeal.

ESPN had asserted a counterclaim alleging that we owed approximately $35 million under the applicable affiliation agreements. On April 15, 2009, the New York State Supreme Court granted, in part, ESPN's motion for summary judgment on the counterclaim, finding that we are liable for some of the amount alleged to be owing but that the actual amount owing is disputed. On December 29, 2010, the First Department affirmed the partial grant of ESPN's motion for summary judgment on the counterclaim. After the partial grant of ESPN's motion for summary judgment, ESPN sought an additional $30 million under the applicable affiliation agreements. On March 15, 2010, the New York State Supreme Court ruled that we owe the full amount of approximately $66 million under the applicable affiliation agreements. As of December 31, 2010, we had $42 million recorded as a "Litigation accrual" on our Consolidated Balance Sheets.

On June 21, 2011, the First Department affirmed the New York State Supreme Court's ruling that we owe approximately $66 million under the applicable affiliation agreements and, on October 18, 2011, denied our motion for leave to appeal that decision to New York's highest court, the New York Court of Appeals. We sought leave to appeal directly to the New York Court of Appeals and, on January 10, 2012, the New York Court of Appeals dismissed our motion for leave on the ground that the ruling upon which we appealed does not fully resolve all claims in the action. As a result of the First Department's June 2011 ruling, during 2011, we recorded $24 million of "Litigation Expense" on our Consolidated Statements of Operations and Comprehensive Income (Loss). On October 11, 2012, the New York State Supreme Court awarded ESPN $5 million in attorneys' fees as the prevailing party on both our claim and ESPN's counterclaim. As a result, we recorded $5 million of "General and administrative expenses" and increased our "Litigation accrual" to a total of $71 million related to this case as of December 31, 2012. During the first quarter 2013, we paid $71 million to ESPN related to the counterclaim and attorneys' fees and $12 million for accrued interest, which amounts we may be able to recover if our further appeals are successful. We intend to vigorously prosecute and defend this case.

Harbinger Capital Partners LLC (LightSquared Bankruptcy)

On August 6, 2013, Harbinger Capital Partners LLC and other affiliates of Harbinger (collectively, "Harbinger"), the majority and controlling shareholders of LightSquared Inc. and its subsidiaries ("LightSquared"), filed an adversary proceeding against DISH Network, L-Band, EchoStar, Charles W. Ergen (our Chairman), other affiliates of Mr. Ergen, and certain other parties, in the LightSquared pending bankruptcy cases in the United States Bankruptcy Court for the Southern District of New York, which cases are jointly administered under the caption In re LightSquared Inc., et. al., Case No. 12-12080 (SCC). Harbinger has alleged, among other things, claims based on fraud, unfair competition, civil conspiracy and tortious interference with prospective economic advantage related to certain purchases of LightSquared secured debt by SP Special Opportunities, LLC, an entity controlled by Mr. Ergen. Harbinger has alleged damages in excess of $4 billion. We are not a party to this proceeding and have been advised by DISH Network and L-Band that they intend to vigorously defend this proceeding and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

The Hopper Litigation

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

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

Network L.L.C. in the United States District Court for the Central District of California, alleging that the PrimeTime Anytime feature and the AutoHop feature infringe their copyrights. The Central District of California matters have been assigned to a single judge, but remain separate cases.

As a result of certain parties' competing venue-related motions brought in both the New York and California actions, and certain networks' filing various counterclaims and amended complaints, the claims are presently pending in the following venues: (1) the copyright and contract claims regarding the ABC and CBS parties are pending in New York; and (2) the copyright and contract claims regarding the Fox and NBC parties are pending in California. The NBC plaintiffs and Fox plaintiffs have filed amended complaints in their respective California actions adding copyright claims against EchoStar and EchoStar Technologies L.L.C. ("EchoStar Technologies"), a wholly-owned subsidiary of EchoStar. In addition, the Fox plaintiffs' amended complaint added claims challenging the Hopper Transfers™ feature of our second-generation Hopper set-top box. Additionally, both the ABC and CBS parties have filed counterclaims in the New York action adding copyright claims against EchoStar Technologies, and the CBS parties have filed a counterclaim alleging that we fraudulently concealed the AutoHop feature when negotiating renewal of our CBS retransmission consent agreement.

On September 21, 2012, the California court heard the Fox plaintiffs' motion for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features and, on November 7, 2012, entered an order denying the motion. The Fox plaintiffs appealed this order. On July 24, 2013, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs' motion for a preliminary injunction as to the PrimeTime Anytime and AutoHop features. On August 7, 2013, the Fox plaintiffs filed a petition for rehearing and rehearing en banc. On March 27, 2013, at the request of the parties, the Central District of California granted a stay of all proceedings in the action brought by the NBC plaintiffs, pending resolution of the appeal by the Fox plaintiffs.

On November 23, 2012, the ABC plaintiffs filed a motion in the New York action for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features, and we and the ABC plaintiffs have filed briefs related to that motion. On February 21, 2013, the Fox plaintiffs filed a second motion for preliminary injunction against: (i) us seeking to enjoin the Hopper Transfers feature in our second-generation Hopper set-top box, alleging breach of their retransmission consent agreement; and (ii) us and EchoStar Technologies seeking to enjoin the Sling placeshifting functionality in our second-generation Hopper set-top box, alleging copyright infringement and breach of their retransmission consent agreement. A hearing on that motion was held on April 19, 2013 and the court has not ruled on the motion.

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

Norman IP Holdings, LLC

On September 15, 2011, Norman IP Holdings, LLC ("Norman") filed a patent infringement complaint (the "2011 Action") against Lexmark International Corporation ("Lexmark") and Brother International Corporation ("Brother") in the United States District Court for the Eastern District of Texas alleging infringement of U.S. Patent No. 5,592,555 (the "555 patent"), U.S. Patent No. 5,530,597 (the "597 patent") and U.S. Patent No. 5,502,689 (the "689 patent") by Lexmark, and infringement of the 555 patent and the 689 patent by Brother. On January 27, 2012, Norman filed a second amended complaint in the 2011 Action that added DISH Network as a defendant, among others, in which it asserted the 555 patent and the 689 patent against us. On September 21, 2012, Norman served us

with preliminary infringement contentions related to the 555 patent and the 689 patent, as well as the 597 patent, which outlined Norman's claims with respect to certain DISH products. On February 8, 2013, Norman filed a third amended complaint in the 2011 Action, in which it added claims against us alleging infringement of the 597 patent. On April 8, 2013, Norman filed a fourth amended complaint in the 2011 Action, in which it added new claims against us alleging infringement of additional DISH products. On May 1, 2013, Norman filed a fifth amended complaint in the 2011 Action, in which it named Mercedes-Benz USA, LLC, Volkswagen Group of America, Inc., Xerox Corporation, ZTE (USA) Inc., and ZTE Solutions, Inc. as defendants, in addition to us. On July 9, 2013, the Court ordered Norman to file a new sixth amended complaint limiting Norman's claims against us to those specifically referenced in the September 21, 2012 preliminary infringement contentions. As a result, on July 10, 2013, Norman filed a sixth amended complaint in the 2011 Action, in which it asserted claims against our wholly-owned subsidiary, DISH Network L.L.C., replacing DISH Network as defendant, alleging that the use of certain Broadcom chipsets in DISH DVR systems infringes the 689 patent. In addition, Norman withdrew all infringement claims against us regarding the 555 patent and the 597 patent. On July 12, 2013, we filed a motion to dismiss the 2011 Action, because Norman failed to comply with the Court's July 9, 2013 order. Our motion to dismiss is pending, and a trial date in the 2011 Action has been set for January 5, 2015.

In addition, on May 10, 2013, Norman filed a separate patent infringement complaint (the “2013 Action”) against us in the United States District Court for the Eastern District of Texas, asserting infringement of the 555, 597 and 689 patents, as well as U.S. Patent No. 5,608,873 (the “873 patent”) and U.S. Patent Number 5,771,394 (the “394 patent”). The infringement claims asserted in the 2013 Action relate to different DISH products than Norman identified in the 2011 Action. On June 26, 2013, we filed a motion to dismiss the 2013 Action, because Norman failed to join necessary parties. Our motion to dismiss is pending, and no trial date has been set for the 2013 Action.

The 689 patent, which is asserted in the 2011 Action and the 2013 Action, relates to a clock generator capable of shut-down mode and clock generation method. In the 2013 Action, the 555 patent relates to a wireless communications privacy method and system, the 597 patent relates to an interrupt enable circuit that allows devices to exit processes without using a hardware reset, the 873 patent relates to a device and method for providing inter-processor communication in a multi-processor architecture, and the 394 patent relates to a servo loop control apparatus having a master microprocessor and at least one autonomous streamlined signal processor. Norman is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

Olympic Developments AG, LLC

On January 20, 2011, Olympic Developments AG, LLC (“Olympic”) filed suit against our wholly-owned subsidiary, DISH Network L.L.C., Atlantic Broadband, Inc., Bright House Networks, LLC, Cable One, Inc., Cequel Communications Holdings I, LLC, CSC Holdings, LLC, GCI Communication Corp., Insight Communications Company, Inc., Knology, Inc., Mediacom Communications Corporation and RCN Telecom Services, LLC in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 5,475,585 and 6,246,400. The patents relate to on-demand services. Olympic is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On June 13, 2011, the case was transferred to the Northern District of California. On November 7, 2011, the case was stayed pending reexamination by the U.S. Patent and Trademark Office. On March 12, 2013, Olympic voluntarily dismissed its claims against us without prejudice.

Personalized Media Communications, Inc.

During 2008, Personalized Media Communications, Inc. (“PMC”) filed suit against DISH Network, EchoStar and Motorola Inc. in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 5,109,414, 4,965,825, 5,233,654, 5,335,277, and 5,887,243, which relate to satellite signal processing. PMC is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Subsequently, Motorola Inc. settled with PMC, leaving EchoStar and DISH Network as defendants. On July 18, 2012, pursuant to a Court order, PMC filed a Second Amended Complaint that added Rovi Guides, Inc. (f/k/a/ Gemstar-TV Guide International, Inc.) and TVG-PMC, Inc. (collectively, “Gemstar”) as a party, and added a new claim against all defendants seeking a declaratory judgment as to the scope of Gemstar’s license to the patents in suit, under which DISH Network and EchoStar are sublicensees. A new trial date has not yet been set.

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

Pragmatus Telecom, LLC

On December 5, 2012, Pragmatus Telecom, LLC (“Pragmatus”) filed a patent infringement lawsuit against DISH Network in the United States District Court for the District of Delaware alleging infringement of United States Patent Nos. 6,311,231, 6,668,286, and 7,159,043. Pragmatus alleges that the click-to-chat and click-to-call customer support features of the DISH web site and call center management systems infringe these patents. Pragmatus has brought similar complaints against more than 40 other companies, including Comcast, AT&T, Sprint, Frontier Communications, Bright House, UPS, FedEx, GM and Ford. Pragmatus is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On March 5, 2013, Pragmatus voluntarily dismissed with prejudice all claims in the action relating to allegedly infringing features provided by certain of our vendors. Pragmatus also voluntarily dismissed without prejudice all remaining claims in the action.

Premier International Associates, LLC

On August 3, 2012, Premier International Associates, LLC (“Premier International Associates”) filed a complaint against us, our wholly-owned subsidiary, DISH Network L.L.C., DISH Network and EchoStar and its wholly-owned subsidiary, EchoStar Technologies L.L.C., in the United States District Court for the Northern District of Illinois alleging infringement of United States Patent No. 6,243,725 (the “725 patent”), which is entitled “List Building System.” The 725 patent relates to a system for building an inventory of audio/visual works. Premier International Associates is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On March 27, 2013, Premier International Associates dismissed the action against us and the EchoStar defendants with prejudice, pursuant to a settlement under which we and the EchoStar defendants made an immaterial payment in exchange for a license to certain patents and patent applications.

Preservation Technologies, LLC

In December 2011, Preservation Technologies, LLC (“Preservation Technologies”) filed suit against DISH Network in the United States District Court for the Central District of California. In the Operative Seventh Amended Complaint, filed on March 22, 2013, Preservation Technologies also names Netflix, Inc., Hulu, LLC, AT&T Services, Inc., Cox Communications, Inc., Disney Online, American Broadcasting Companies, Inc., Yahoo! Inc., Wal-Mart Stores, Inc., Vudu, Inc. and ESPN Internet Ventures as defendants. Preservation Technologies alleges that our BLOCKBUSTER On Demand, DISH branded pay-TV and DISH Online services and our Hopper and Joey® set-top boxes infringe U.S. Patent Nos. 5,813,014, 5,832,499, 6,092,080, 6,353,831, 6,574,638, 6,199,060, 5,832,495, 6,549,911, 6,212,527 and 6,477,537. The patents relate to digital libraries, the

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management of multimedia assets, and the cataloging of multimedia data. Preservation Technologies is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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

Ronald A. Katz Technology Licensing, L.P.

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

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

Technology Development and Licensing L.L.C.

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

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

TQP Development, LLC

On April 4, 2012, TQP Development, LLC ("TQP Development") filed suit against our wholly-owned subsidiary, DISH Network L.L.C., in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 5,412,730 titled "Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys." TQP Development is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On August 8, 2013, we and TQP Development filed a joint motion to dismiss all claims in the action with prejudice.

Other

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business, including, among other things, disputes with programmers regarding fees. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial 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.

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Item 1A. RISK FACTORS

Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2012 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 include a detailed discussion of our risk factors.

Item 6. EXHIBITS

(a) *Exhibits.*

31.1o Section 302 Certification of Chief Executive Officer.

31.2o Section 302 Certification of Chief Financial Officer.

32.1o Section 906 Certification of Chief Executive Officer.

32.2o Section 906 Certification of Chief Financial Officer.

101o The following materials from the Quarterly Report on Form 10-Q of DISH DBS for the quarter ended June 30, 2013, filed on August 14, 2013, formatted in eXtensible Business Reporting Language ("XBRL"): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements.

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o Filed herewith.

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SIGNATURES

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

DISH DBS CORPORATION

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

By: /s/ *Robert E. Olson*
Robert E. Olson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 14, 2013

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Joseph P. Clayton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DISH DBS Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2013

/s/ Joseph P. Clayton
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Robert E. Olson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of DISH DBS Corporation;

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2013

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

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	August 14, 2013
Name:	*/s/ Joseph P. Clayton*
Title:	President and Chief Executive Officer

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

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. § 1350, the undersigned officer of DISH DBS Corporation (the "Company") hereby certifies that to the best of his knowledge the Company's Quarterly Report on Form 10-Q for the three months ended June 30, 2013 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2013

Name: */s/ Robert E. Olson*

Title: Executive Vice President and
Chief Financial Officer

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

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.