

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM
TO .

Commission file number: 001-33807

EchoStar Corporation

(Exact name of registrant as specified in its charter)

Nevada

(State or Other Jurisdiction of Incorporation or Organization)

26-1232727

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

100 Inverness Terrace East, Englewood, Colorado

(Address of Principal Executive Offices)

80112-5308

(Zip Code)

Registrant's telephone number, including area code: **(303) 706-4000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Class A common stock, \$0.001 par value

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2017, the aggregate market value of Class A common stock held by non-affiliates of the registrant was \$2.86 billion based upon the closing price of the Class A common stock as reported on the Nasdaq Global Select Market as of the close of business on that date.

As of February 12, 2018, the registrant's outstanding common stock consisted of 48,146,076 shares of Class A common stock and 47,687,039 shares of Class B common stock, each \$0.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this Form 10-K by reference:

Portions of the registrant's definitive Proxy Statement to be filed in connection with its 2018 Annual Meeting of Shareholders are incorporated by reference in Part III.

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DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

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

- our reliance on DISH Network Corporation and its subsidiaries for a significant portion of our revenue;
- significant risks related to the construction, launch and operation of our satellites, such as the risk of material malfunction on one or more of our satellites, risks resulting from delays or failures of launches of our satellites and potentially missing our regulatory milestones, changes in the space weather environment that could interfere with the operation of our satellites, and our general lack of commercial insurance coverage on our satellites;
- our ability to realize the anticipated benefits of our current satellites and any future satellite we may construct or acquire;
- our ability to implement and realize benefits of our domestic and/or international investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives;
- the failure of third-party providers of components, manufacturing, installation services and customer support services to appropriately deliver the contracted goods or services;
- our ability to bring advanced technologies to market to keep pace with our customers and competitors; and
- risk related to our foreign operations and other uncertainties associated with doing business internationally, including changes in foreign exchange rates between foreign currencies and the United States dollar, economic instability and political disturbances.

Other factors that could cause or contribute to such differences include, but are not limited to, those discussed in Part I, Item 1A. — Risk Factors and Item 7. — Management’s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10-K and those discussed in other documents we file with the Securities and Exchange Commission (“SEC”).

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

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

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

PART I

Item 1. BUSINESS

OVERVIEW

EchoStar Corporation (which, together with its subsidiaries, is referred to as “EchoStar,” the “Company,” “we,” “us” and/or “our”) is a holding company that was organized in October 2007 as a corporation under the laws of the State of Nevada. We are a global provider of satellite service operations, video delivery solutions, broadband satellite technologies and broadband internet services for home and small office customers. We also deliver innovative network technologies, managed services, and various communications solutions for aeronautical, enterprise and government customers. Our Class A common stock is publicly traded on the Nasdaq Global Select Market (“Nasdaq”) under the symbol “SATS.”

We currently operate in the following two business segments:

- **Hughes** — which provides broadband satellite technologies and broadband internet services to domestic and international home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communication solutions to domestic and international consumers and aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment provides satellite ground segment systems and terminals to mobile system operators.
- **EchoStar Satellite Services (“ESS”)** — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite service operations and video delivery solutions on a full-time and occasional-use basis primarily to DISH Network Corporation and its subsidiaries (“DISH Network”), Dish Mexico, S. de R.L. de C.V., a joint venture we entered into in 2008 (“Dish Mexico”), United States (“U.S.”) government service providers, internet service providers, broadcast news organizations, programmers, and private enterprise customers. ESS also manages satellite operations for certain satellites owned by DISH Network.

Our operations also include various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments. These activities, costs and income are accounted for in “Corporate and Other.”

In 2008, DISH Network completed its distribution to us of its digital set-top box business, certain infrastructure, and other assets and related liabilities, including certain of its satellites, uplink and satellite transmission assets, and real estate (the “Spin-off”). Since the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies. Prior to February 28, 2017, DISH Network held the Tracking Stock discussed below. A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH Network Corporation (“DISH”) is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

In February 2014, we entered into agreements with certain subsidiaries of DISH pursuant to which, effective March 1, 2014: (i) EchoStar and our subsidiary Hughes Satellite Systems Corporation (“HSS”) issued the Tracking Stock (as defined below) to subsidiaries of DISH in exchange for five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV) (including the assumption of related in-orbit incentive obligations) and approximately \$11.4 million in cash; and (ii) DISH and certain of its subsidiaries began receiving certain satellite services on these five satellites from us. The Tracking Stock tracked the economic performance of the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the “Hughes Retail Group” or “HRG”), and represented an aggregate 80.0% economic interest in HRG (the Hughes Retail Preferred Tracking Stock issued by EchoStar Corporation (the “EchoStar Tracking Stock”) represented a 51.89% economic interest in HRG and the Hughes Retail Preferred Tracking Stock issued by HSS (the “HSS Tracking Stock”, together with the EchoStar Tracking Stock, the “Tracking Stock”) represented a 28.11% economic interest in HRG). In addition to the remaining 20.0% economic interest in HRG, EchoStar retained all economic interest in the wholesale satellite broadband business and other businesses of EchoStar.

On January 31, 2017, we and certain of our subsidiaries entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with DISH and certain of its subsidiaries. Pursuant to the Share Exchange Agreement, on February 28, 2017, among other things, we and certain of our subsidiaries received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and

certain other assets (collectively, the “Share Exchange”). Our former EchoStar Technologies businesses designed, developed and distributed secure end-to-end video technology solutions including digital set-top boxes and related products and technology, primarily for satellite TV service providers and telecommunication companies and provided digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management, and other services. Following consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated and are of no further effect. As a result of the Share Exchange, the consolidated financial statements of the EchoStar Technologies businesses have been presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. See Note 3 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our discontinued operations.

As a result of the Share Exchange, in March 2017, we changed our overhead allocation methodology used in our segment disclosures to reflect how our chief operating decision maker evaluates our segments. Historically, the costs of all corporate functions were included on an allocated basis in each of the business segments’ EBITDA. Under the revised allocation methodology, these costs are now reported and analyzed as part of “Corporate and Other” (previously “All Other and Eliminations”). Our prior period segment EBITDA disclosures have been restated to reflect this change.

BUSINESS STRATEGIES

Capitalize on domestic and international demand for broadband services. We intend to capitalize on the domestic and international demand for satellite-delivered broadband internet services and enterprise solutions by utilizing, among other things, our industry expertise, technology leadership, increased satellite capacity, access to spectrum resources, and high-quality, reliable service to drive growth in consumer subscribers and enterprise customers. We also intend to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives, domestically and internationally that we believe may allow us to increase our market share, expand into new markets, obtain new customers, broaden our portfolio of services, products and intellectual property and strengthen our relationships with our customers.

Expand satellite capacity and related infrastructure. During 2017, we significantly increased our satellite capacity in North America and certain Central and South American countries and added capability for aeronautical, enterprise and international broadband internet services. We also commenced the design and construction of a new, next-generation, high throughput geostationary satellite, with a planned 2021 launch, that is primarily intended to provide additional capacity for our HughesNet service in North, Central and South America as well as aeronautical and enterprise services. We expect that our expertise in the identification, acquisition and development of satellite spectrum and orbital rights and satellite operations, together with our increased satellite capacity and existing, acquired or developed infrastructure, will provide opportunities to enter new international markets and enhance our services to our existing customers. We currently provide satellite broadband internet service in Brazil and Colombia and expect to launch similar services in other Central and South American countries in 2018. We believe market opportunities exist that will facilitate the acquisition or leasing of additional satellite capacity which will enable us to provide services to a broader customer base, including providers of pay-TV services, satellite-delivered broadband, corporate communications, and government services.

Continue development of S-band and other hybrid spectrum resources. Commercial service has been available to customers on our EchoStar XXI satellite since the fourth quarter of 2017, and we believe we remain in a unique position to deploy a European wide mobile satellite service (“MSS”)/complementary ground component (“CGC”) network and maximize the long-term value of our S-band spectrum, in Europe and other regions within the scope of our licenses. We will also continue to explore development of S-band similar spectrum assets in additional international markets.

Develop improved and new technologies. Our engineering capabilities provide us with the opportunity to develop and deploy cutting edge technologies, license our technologies to others, and maintain a leading technological position in the industries in which we are active.

Continue to selectively explore new domestic and international strategic initiatives. We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives, domestically and internationally, that we believe may allow us to increase our existing market share, expand into new markets and new customers, broaden our portfolio of services, products and intellectual property, and strengthen our relationships with our customers. For example, our current agreement with WorldVu Satellites Limited (“OneWeb”), a global low-earth orbit (“LEO”) satellite service company, enables us to provide certain equipment and services in connection with the ground network system for OneWeb’s LEO satellites.

BUSINESS SEGMENTS

HUGHES SEGMENT

Our Products and Services

Our Hughes segment is a global provider of broadband satellite technologies and broadband internet services to domestic and international home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to domestic and international consumers and aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment provides satellite ground segment systems and terminals to mobile system operators.

We incorporate advances in technology to reduce costs and to increase the functionality and reliability of our products and services. Through advanced and proprietary methodologies, technologies, software and techniques, we continue to improve the efficiency of our networks. We invest in technologies to enhance our system and network management capabilities, specifically our managed services for enterprises. We also continue to invest in next generation technologies that can be applied to our future products and services.

We continue to focus our efforts on growing our consumer revenue by maximizing utilization of our existing satellites while planning for new satellites to be launched. Our consumer revenue growth depends on our success in adding new and retaining existing subscribers in our domestic and international markets across our wholesale and retail channels. The growth of our enterprise, including aeronautical, businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies. Service costs related to ongoing support for our direct and indirect customers and partners are typically impacted most significantly by our growth.

Our Hughes segment currently uses capacity from our three satellites (the SPACEWAY 3 satellite, the EchoStar XVII satellite, and the EchoStar XIX satellite) and additional satellite capacity acquired from multiple third-party providers to provide services to our customers. Launched in December 2016, our EchoStar XIX satellite is a next-generation, high throughput geostationary satellite employing a multi-spot beam, bent pipe Ka-band architecture. It has provided and we expect it to continue to provide significant capacity for consumer subscriber growth, capacity for the Hughes broadband services to our customers in North America, capacity in certain Central and South American countries and capability for aeronautical and domestic and international enterprise broadband services.

We continue to expand our efforts to grow our consumer satellite services business outside of the U.S. In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil provides us Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. That satellite was launched in March 2016 and we began delivering high-speed consumer satellite broadband services in Brazil in July 2016. In September 2015, we entered into satellite services agreements pursuant to which affiliates of Telesat Canada (“Telesat”) will provide to us the Ka-band capacity on a satellite to be located at the 63 degree west longitude orbital location for a 15-year term. We expect the satellite to be launched in the second quarter of 2018 and to augment the capacity being provided by the EUTELSAT 65 West A and EchoStar XIX satellites in Central and South America. We launched our consumer satellite broadband service in Colombia in the third quarter of 2017 and we expect to launch similar services in various other Central and South American countries in 2018.

In August 2017, we entered into a contract for the design and construction of a new, next-generation, high throughput geostationary satellite, with a planned 2021 launch, that is primarily intended to provide additional capacity for our HughesNet service in North, Central and South America as well as aeronautical and enterprise services. Capital expenditures associated with the construction and launch of this satellite are included in “Corporate and Other” in our segment reporting.

Our Customers

Our Hughes segment delivers broadband internet services and broadband satellite technologies to domestic and international home and small office customers. It also delivers broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to domestic and international consumers and aeronautical, enterprise and government customers. Examples of our enterprise, government and aeronautical customers include lottery agencies, gas station operators, aircraft connectivity providers and companies with multi-branch networks that rely on satellite or terrestrial networks for critical communication across wide geographies. Most of our enterprise customers have contracts with us for the services they purchase. In addition, our Hughes segment designs, provides and installs gateway and terminal equipment to

customers for other satellite systems and provides satellite ground segment systems and terminals for other satellite systems, including mobile system operators.

In October 2012, we entered into a distribution agreement (the “Distribution Agreement”) with dishNET Satellite Broadband L.L.C. (“dishNET”), a wholly-owned subsidiary of DISH Network, pursuant to which dishNET marketed, sold and distributed our Hughes satellite internet service (the “Hughes service”) under the dishNET brand. In March 2017, we entered into a master service agreement (the “MSA”) with DISH Network L.L.C. (“DNLLC”), a wholly-owned subsidiary of DISH pursuant to which DNLLC, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for the Hughes satellite internet service and related equipment and other telecommunication services and (ii) will install Hughes service equipment with respect to activations generated by DNLLC. As a result of the MSA, we have not earned and do not expect to earn significant equipment revenue from our Distribution Agreement in the future. DISH Network accounted for 5.6%, 7.7% and 7.8% of our total Hughes segment revenue for the years ended December 31, 2017, 2016 and 2015, respectively. See Note 19 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our related party transactions with DISH Network.

Developments toward the launch of next-generation satellite systems including low-earth orbit (“LEO”), medium-earth orbit (“MEO”) and geostationary systems could provide additional opportunities to drive the demand for our equipment, hardware, technology and services. We have an agreement with WorldVu Satellites Limited (“OneWeb”), a global LEO satellite service company, to provide certain equipment and services in connection with the ground network system for OneWeb’s LEO satellites. In November 2017, we began the production of OneWeb’s ground network system equipment and expect to begin delivering this equipment in the second half of 2018.

As of December 31, 2017, 2016 and 2015, our Hughes segment had approximately 1,208,000, 1,036,000 and 1,035,000 broadband subscribers, respectively. These broadband subscribers include customers that subscribe to our HughesNet broadband services in the U.S. and South America through retail, wholesale and small/medium enterprise service channels.

As of December 31, 2017 and 2016, our Hughes segment had approximately \$1.62 billion and \$1.52 billion, respectively, of contracted revenue backlog. We define Hughes contracted revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market. Of the total contracted revenue backlog as of December 31, 2017, we expect to recognize approximately \$424.7 million of revenue in 2018.

Our Competition

The network communications industry is highly competitive. As a global provider of network technologies, products and services, our Hughes segment competes with a large number of telecommunications service providers, which puts pressure on prices and margins. To compete effectively, we emphasize our network quality, customization capability, offering of networks as a turnkey managed service, position as a single point of contact for products and services and competitive prices.

In our consumer markets, we compete against traditional telecommunications and wireless carriers, other satellite internet providers, as well as digital subscriber line (“DSL”), fiber and cable internet service providers offering competitive services in many markets we seek to serve. Cost, speed and accessibility are key determining factors in the selection of a service provider by the consumer. Our primary satellite competitor in our North American consumer market is ViaSat Communications, Inc. (“ViaSat Communications”), which is owned by ViaSat, Inc. (“ViaSat”). We seek to differentiate ourselves based on the ubiquitous availability of our service, quality, proprietary technology, and distribution channels.

In our enterprise and government markets, we compete against providers of satellite-based and terrestrial-based networks, including fiber, DSL, cable modem service, multiprotocol label switching and interest protocol-based virtual private networks.

Our principal competitors for the supply of very-small-aperture terminal (“VSAT”) satellite networks are Gilat Satellite Networks Ltd, ViaSat, Newtec Cy N.V. and VT iDirect, Inc. (formerly known as iDirect Technologies, Inc.). To differentiate ourselves from our competitors, we emphasize particular technological features of our products and services, our ability to customize networks and perform desired development work and the quality of our customer service. We also face competition from resellers and numerous local companies who purchase equipment and sell services to local customers, including domestic and international telecommunications operators, cable companies and other major carriers.

Manufacturing

Certain products in our Hughes segment are assembled at our facilities in Maryland and we outsource a significant portion of the manufacturing of our products to third parties. We believe that the manufacturing facilities used by our Hughes segment have sufficient capacity to handle current demand. We adjust our capacity based on our production requirements. We also work with third-party vendors for the development and manufacture of components that are integrated into our products. We develop dual sourcing capabilities for critical parts when practical and we evaluate outsourced subcontract vendors on a periodic basis. Our operations group, together with our engineering group, works with our vendors and subcontractors to reduce development costs, to increase production efficiency, and to obtain components at lower prices.

ECHOSTAR SATELLITE SERVICES SEGMENT

Our Services

Our ESS segment is a global provider of satellite service operations and video delivery solutions. We operate our business using our owned and leased in-orbit satellites and related licenses. Revenue growth in our ESS segment depends largely on our ability to continuously make satellite capacity available for sale. We provide satellite service operations and video delivery solutions on a full-time and occasional-use basis primarily to DISH Network, Dish Mexico, U.S. government service providers, internet service providers, broadcast news organizations, programmers, and private enterprise customers. We also manage satellite operations for certain satellites owned by DISH Network. Our satellite capacity is currently used by our customers for a variety of applications:

- **DTH Services.** We provide satellite capacity and satellite services to satellite TV providers, broadcasters and programmers who use our satellites to deliver programming. Our satellites are also used for the transmission of live sporting events, internet access, disaster recovery, and satellite news gathering services.
- **Government Services.** We provide satellite and technical services to U.S. government service providers. We believe the U.S. government may increase its use of commercial satellites for homeland security, emergency response, continuing education, distance learning, and training.
- **Network Services.** We provide satellite capacity and terrestrial network services to companies. These networks are dedicated private networks that allow delivery of video and data services for corporate communications. Our satellites can be used for point-to-point or point to multi-point communications.

We are pursuing expanding our business offerings by providing value added services such as telemetry, tracking, and control services to third parties, which leverage the ground monitoring networks and personnel currently within our ESS segment.

In August 2014, we entered into: (i) a contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-, Ku- and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. ("SES") pursuant to which we transferred the title to the payloads to two affiliates of SES. We retained the right to use the entire Ku-band payload on the satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. The EchoStar 105/SES-11 satellite was launched in October 2017 and placed into service in November 2017 at the 105 degree west longitude orbital location. Our Ku-band payload on the EchoStar 105/SES-11 satellite replaces and augments the capacity we had on the AMC-15 satellite, resulting in additional sales capacity. We transferred activities from the AMC-15 satellite to the EchoStar 105/SES-11 satellite in the fourth quarter of 2017.

Our Customers

We provide satellite capacity on our satellite fleet primarily to DISH Network, Dish Mexico, U.S. government service providers, internet service providers, broadcast news organizations, programmers and private enterprise customers. For the years ended December 31, 2017, 2016 and 2015, DISH Network accounted for approximately 87.9%, 85.7% and 86.3% of our total ESS segment revenue. We have entered into certain commercial agreements with DISH Network pursuant to which we are obligated to provide DISH Network with satellite services at fixed prices for varying lengths of time depending on the satellite. See Note 19 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our related party transactions with DISH Network. We depend on DISH Network for a significant portion of the revenue for our ESS segment, and we expect that DISH Network will continue to be the primary source of revenue for our ESS segment. Therefore, the results of operations of our ESS segment are linked to changes in DISH Network's satellite capacity requirements. DISH Network's capacity requirements have been driven by the addition of new channels and migration of

programming to high-definition TV and video on demand services. The services that we provide to DISH Network are critical to its nationwide delivery of content to its customers across the U.S. While we expect to continue to provide satellite services to DISH Network, its satellite capacity requirements may change for a variety of reasons, including its ability to construct and launch its own satellites. Any termination or reduction in the services we provide to DISH Network may cause us to have unused capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business. The agreement with DISH Network for satellite services relative to the EchoStar VII satellite expires in June 2018. DISH Network has not renewed the agreement past such date which may have a significant impact on our operating results in the future.

At each of December 31, 2017 and 2016, our ESS segment had contracted revenue backlog attributable to satellites currently in orbit of approximately \$1.16 billion. Of the total contracted revenue backlog as of December 31, 2017, we expect to recognize approximately \$332.9 million of revenue in 2018.

Our Competition

In the fixed satellite services market, our ESS segment competes against larger, well-established satellite service companies, such as Intelsat S.A. (“Intelsat”), SES S.A., Inmarsat plc, Telesat, Eutelsat Communications S.A. (“Eutelsat”), Asia Satellite Telecommunications Company Limited and the direct-to-home (DTH) satellite business of AT&T, Inc., in an industry that is characterized by long-term contracts and high costs for customers to change service providers. Several of our competitors maintain key North American and other international orbital slots that may further limit competition and competitive pricing.

OTHER BUSINESS OPPORTUNITIES

Our industry continues to evolve with the increasing worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, other technologies such as geostationary high throughput satellites, LEO networks, balloons, and High Altitude Platform Systems are playing significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and services for information, entertainment and commerce in North America and internationally for consumers as well as aeronautical, enterprise and government customers.

We are tracking closely the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies and expertise to find new commercial opportunities for our business. Since June 2015 we have had an equity investment in OneWeb.

We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives, domestically and internationally, that we believe may allow us to increase our existing market share, expand into new markets and new customers, broaden our portfolio of services, products and intellectual property, and strengthen our relationships with our customers. We may allocate significant resources for long-term initiatives that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

In 2012, we acquired the right to use various frequencies at the 45 degree west longitude orbital location (“Brazilian Authorization”) from ANATEL, the Brazilian communications regulatory agency. The Brazilian Authorization currently provides us the rights to utilize Ku-band spectrum. In April 2014, we entered into an agreement with Space Systems Loral, LLC for the construction of the EchoStar XXIII satellite, a high powered broadcast satellite service satellite. The EchoStar XXIII satellite was launched in March 2017 and placed into service at the 45 degree west longitude orbital location in the second quarter of 2017. We had regulatory obligations to meet certain in-service milestones by the second quarter of 2017 for our Brazilian license at the 45 degree west longitude orbital location for the Ka-, Ku- and S-band frequencies. We have satisfied our regulatory obligations for the Ku-band frequency. On October 5, 2017, ANATEL declined our request to extend our milestone deadlines for the S- band and Ka- band frequencies and, as a result, we do not have the right to use such frequency bands in Brazil. We may be subject to penalties as a result of our failure to meet these milestones.

In December 2013, we acquired 100% of Solaris Mobile, which is based in Dublin, Ireland and licensed by the European Union and its member states (“EU”) to provide MSS and CGC services covering the entire EU using S-band spectrum. Solaris Mobile changed its name to EchoStar Mobile Limited (“EchoStar Mobile”) in the first quarter of 2015. The EchoStar XXI satellite was launched in June 2017 and placed into service in November 2017. Commercial service has been available on our EchoStar XXI satellite since the fourth quarter of 2017. The EchoStar XXI satellite provides space segment capacity to EchoStar Mobile in the EU. We believe we are in a unique position to deploy a European wide MSS/CGC network and maximize the long-term value of our S-band spectrum in Europe and other regions within the scope of our licenses.

Capital expenditures associated with the construction and launch of the EchoStar XXI, EchoStar XXIII and EchoStar XXIV satellites are included in “Corporate and Other” in our segment reporting.

OUR SATELLITE FLEET

Our operating satellite fleet consists of both owned and leased satellites detailed in the table below as of December 31, 2017.

Satellites	Segment	Launch Date	Nominal Degree Orbital Location (Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 (1)	Hughes	August 2007	95 W	12
EchoStar XVII	Hughes	July 2012	107 W	15
EchoStar XIX	Hughes	December 2016	97.1 W	15
EchoStar I (2)(3)(4)(7)	ESS	December 1995	77 W	—
EchoStar VI (4)(7)	ESS	July 2000	96.2 W	12
EchoStar VII (2)(3)(4)	ESS	February 2002	119 W	3
EchoStar IX (2)(4)	ESS	August 2003	121 W	12
EchoStar X (2)(3)	ESS	February 2006	110 W	7
EchoStar XI (2)(3)	ESS	July 2008	110 W	9
EchoStar XII (2)(4)(5)	ESS	July 2003	61.5 W	2
EchoStar XIV (2)(3)	ESS	March 2010	119 W	11
EchoStar XVI (2)	ESS	November 2012	61.5 W	15
EchoStar XXI	Corporate and Other	June 2017	10.25 E	15
EchoStar XXIII	Corporate and Other	March 2017	45 W	15
EUTELSAT 10A (“W2A”) (6)	Corporate and Other	April 2009	10 E	—
Capital Leases:				
Nimiq 5 (2)	ESS	September 2009	72.7 W	15
QuetzSat-1 (2)	ESS	September 2011	77 W	10
Eutelsat 65 West A	Hughes	March 2016	65 W	15
EchoStar 105/SES-11	ESS	October 2017	105 W	15

(1) Depreciable life represents the remaining useful life as of June 8, 2011, the date EchoStar completed its acquisition of Hughes Communications, Inc. and its subsidiaries.

(2) See Note 19 in the notes to consolidated financial statements in Item 15 of this report for discussion of related party transactions with DISH Network.

(3) Depreciable life represents the remaining useful life as of March 1, 2014, the effective date of our receipt of the satellites from DISH Network as part of the Satellite and Tracking Stock Transaction (See Note 19 in the notes to consolidated financial statements in Item 15 of this report).

(4) Fully depreciated assets as of December 31, 2017.

(5) Depreciable life represents the remaining useful life as of June 30, 2013, the date the EchoStar XII satellite was impaired.

(6) The Company acquired the S-band payload on this satellite, which prior to the acquisition in December 2013, experienced an anomaly at the time of the launch. As a result, the S-band payload is not fully operational.

(7) The EchoStar I satellite was retired in January 2018 and the EchoStar VI satellite is expected to be retired in the second quarter of 2018.

Construction in progress included the following owned and leased satellites under construction as of December 31, 2017.

Satellites	Segment	Expected Launch Date
Telesat T19V (“63 West”) (1)	Hughes	Second quarter of 2018
EchoStar XXIV	Corporate and Other	2021

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

Recent Developments

EchoStar I. The EchoStar I satellite was removed from its orbital location and retired from commercial service in January 2018. This retirement is not expected to have a material impact on our results of operations or financial position.

EchoStar VI. We expect to remove the EchoStar VI satellite from its orbital location and retire it from commercial service in the second quarter of 2018. This retirement is not expected to have a material impact on our results of operations or financial position.

EchoStar 105/SES-11 and AMC-15. The EchoStar 105/SES-11 satellite was launched in October 2017 and was placed into service in November 2017 at the 105 degree west longitude orbital location. Our leased Ku-band payload on the EchoStar 105/SES-11 satellite has replaced the capacity we had on the AMC-15 satellite. Our agreement for satellite services on certain transponders on the AMC-15 satellite terminated according to its terms in December 2017.

EchoStar XXI. The EchoStar XXI satellite was launched in June 2017 and was placed into service in November 2017 at the 10.25 degree east longitude orbital location. The EchoStar XXI satellite provides space segment capacity to EchoStar Mobile Limited in Europe.

EchoStar III. In July 2017, the EchoStar III satellite experienced an anomaly that caused communications with the satellite to be interrupted resulting in a loss of control. We regained communications with and control of the EchoStar III satellite and retired the satellite from commercial service in August 2017. This retirement has not had, and is not expected to have, a material impact on our results of operations or financial position.

EchoStar VIII. During the second quarter of 2017, the EchoStar VIII satellite was removed from its orbital location and retired from commercial service. This retirement has not had, and is not expected to have, a material impact on our results of operations or financial position.

EchoStar XXIII. The EchoStar XXIII satellite, a Ku-band broadcast satellite services satellite, was launched in March 2017 and placed into service at the 45 degree west longitude orbital location in May 2017.

EchoStar XIX. The EchoStar XIX satellite was launched in December 2016 and placed into service in March 2017 at the 97.1 degree west longitude orbital location. The EchoStar XIX satellite provides capacity for the Hughes broadband services to our customers in North America, capacity in certain Central and South American countries and capability for aeronautical, enterprise and international broadband services. EchoStar contributed the EchoStar XIX satellite to its Hughes segment in February 2017.

Satellite Anomalies and Impairments

Our satellites may experience anomalies from time to time, some of which may have a significant adverse effect on their remaining useful lives, the commercial operation of the satellites or our operating results or financial position. We are not aware of any anomalies with respect to our owned or leased satellites that have had any such significant adverse effect during the year ended December 31, 2017. There can be no assurance, however, that anomalies will not have any such adverse impacts in the future. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail.

EchoStar X experienced anomalies in the past which affected seven solar array circuits. In December 2017, EchoStar X experienced anomalies which affected one additional solar array circuit reducing the number of functional solar array circuits to 16. While these anomalies did not significantly impact commercial operation or remaining useful life of the satellite or our operating results or financial position for the year ended December 31, 2017, we do expect a loss of future revenue on this satellite as a result of such anomalies.

We historically have not carried in-orbit insurance on our satellites because we assessed that the cost of insurance was uneconomical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain in-orbit insurance for our SPACEWAY 3, EchoStar XVI, and EchoStar XVII satellites. Based on economic analysis of the current insurance market we obtained launch plus one year in-orbit insurance, subject to certain limitations, for the EchoStar XIX, EchoStar XXI and EchoStar XXIII satellites. Additionally, we obtained certain launch and in-orbit insurance for our interest in the EchoStar 105/SES-11 satellite. Our other satellites, either in orbit or under

construction, are not covered by launch or in-orbit insurance. We will continue to assess circumstances going forward and make insurance decisions on a case by case basis.

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

GOVERNMENT REGULATIONS

We are subject to comprehensive regulation by the FCC for our domestic, as well as various international, satellite and telecommunications operations and equipment businesses. We are also regulated by other U.S. federal agencies, state and local authorities, the International Telecommunication Union (“ITU”), and certain foreign governments, including those in the EU and North, South and Central American countries. In addition, we are also subject to the export control laws and regulations and trade sanctions laws and regulations of the U.S. and other countries with respect to the export of telecommunications equipment and services. Depending upon the circumstances, noncompliance with applicable legislation or regulations could result in suspension or revocation of our licenses or authorizations, the termination or loss of contracts or the imposition of contractual damages, civil fines or criminal penalties.

The following summary of regulations and legislation is not intended to describe all present and proposed government regulation and legislation affecting our business. Government regulations that are currently the subject of judicial or administrative proceedings, draft legislation or administrative proposals could impact us and our industries to varying degrees. The FCC and other regulators from time to time initiate proceedings that could adversely impact our satellite operations, including spectrum usage. We cannot predict either the outcome of these proceedings or proposals or any potential impact they might have on the industry or on our operations.

FCC Regulations Applicable to Our Operations

FCC Jurisdiction over Satellite and Terrestrial Operations. Non-governmental, including commercial entities, that use radio frequencies to provide communications services to, from or within the U.S. are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the “Communications Act”). The Communications Act gives the FCC regulatory jurisdiction over many areas relating to communications operations, including:

- the assignment of satellite radio frequencies and orbital locations to specific services and companies, the licensing of satellites and earth stations, and the granting of related authorizations;
- approval for the relocation of satellites to different orbital locations, the replacement of a satellite with another new or existing satellite, and the authorization of specific earth stations to communicate with such newly relocated satellites;
- ensuring compliance with the terms and conditions of assignments, licenses, authorizations, and approvals;
- avoiding harmful interference with other radio frequency emitters; and
- ensuring compliance with other applicable provisions of the Communications Act and FCC rules and regulations.

All satellite licenses issued by the FCC are subject to expiration unless extended by the FCC. The term of each of our U.S. direct broadcast satellite (“DBS”) licenses is 10 years, and our U.S. fixed satellite services (“FSS”) licenses generally have 15 year terms. We hold licenses and authorizations for satellite and earth stations as well as other services, including terrestrial wireless services. To obtain and operate under such FCC licenses and authorizations, we must satisfy legal, technical qualification requirements and other conditions including, among other things, satisfaction of certain technical and ongoing due diligence obligations, implementation bonds, annual regulatory fees and various reporting requirements. A license must be obtained prior to launching or operating a satellite.

Telecommunications Regulation. Many of the services we provide are also subject to FCC regulation as telecommunications services. For certain services in the U.S., we are required to contribute fees, computed as a percentage of our revenue from telecommunications services to the Universal Service Fund (“USF”) to support mechanisms that subsidize the provision of services to low-income consumers, high-cost areas, schools, libraries, and rural health care providers. Current FCC rules permit us to pass this USF contribution through to our customers. The FCC also requires broadband internet access and internet telephony service providers to comply with the requirements of the Federal Communications Assistance for Law Enforcement Act (“CALEA”). CALEA generally requires telecommunications carriers to ensure that law enforcement agencies are able to conduct l

awfully-authorized surveillance of users of their services. In addition, as a provider of interconnected voice over internet protocol services (“VOIP”), we are required to abide by a number of rules related to telephony service, including rules dealing with the protection of customer information and the processing of emergency calls.

State and Local Regulation

We are also regulated by state and local authorities. While the FCC has preempted many state and local regulations that would impair the installation and use of VSATs and other consumer satellite dishes, our businesses nonetheless are subject to state and local regulation, including, among others, obtaining regulatory authorizations and zoning regulations that affect the ability to install these consumer satellite earth station antennas.

International Regulation

Foreign Administrations’ Jurisdiction Over Satellite and Terrestrial Operations. Some of our satellites and earth stations are licensed in foreign jurisdictions. We also have terrestrial authorizations in foreign jurisdictions. In order to provide service to a foreign location from a U.S. satellite, we are required to obtain approvals from the FCC and foreign administrative agencies. The laws and regulations addressing access to satellite and terrestrial systems vary from country to country. In most countries, a license is required to provide our services and to operate satellite earth stations. Such licenses may impose certain conditions, including implementation and operation of the satellite system in a manner consistent with certain milestones (such as for contracting, satellite design, construction, launch, and implementation of service), that the satellite or its launch be procured through a national entity, that the satellite control center be located in national territory, that a license be obtained prior to launching or operating the satellite, or that a license be obtained before interconnecting with the local switched telephone network. Some countries may have restrictions on the services we provide and how we provide them. In addition, certain countries may limit the rates that can be charged for the services we provide or impose other service terms or restrictions. Furthermore, foreign countries in which we currently, or may in the future, operate may not authorize us access to all of the spectrum that we need to provide service in a particular country.

The ITU Frequency and Orbital Location Registration. The orbital location and frequencies for our satellites are subject to the frequency registration and coordination process of the ITU. The ITU Radio Regulations define the international rules, regulations, and rights for a satellite and associated earth stations to use specific radio frequencies at a specific orbital location. These rules, which include deadlines for the bringing of satellite networks into use, differ depending on the type of service to be provided and the frequencies to be used by the satellite. On our behalf, various countries have made, and may in the future make, additional filings for the frequency assignments at particular orbital locations that are used or to be used by our current satellite networks and potential future satellite networks we may build or acquire. In the event the international coordination process that is triggered by ITU filings under applicable rules is not successfully completed, or that the requests for modification of the broadcast satellite service (“BSS”) plan regarding the allocation of orbital locations and frequencies are not granted by the ITU, we will have to operate the applicable satellite(s) on a non-interference basis, which could have an adverse impact on our business operations. If we cannot do so, we may have to cease operating such satellite(s) at the affected orbital locations. We cannot be sure of the successful outcome of these ITU coordination processes. We make commercially reasonable efforts to cooperate with the filing nation in the preparation of ITU filings, coordination of our operations in accordance with the relevant ITU Radio Regulations, and responses to relevant ITU inquiries.

Registration in the UN Registry of Space Objects. The U.S. and other jurisdictions in which we license satellites are generally parties to the United Nations (“UN”) Convention on the Registration of Objects Launched into Outer Space (“UN Convention”). The UN Convention requires a satellite’s launching state to register the satellite as a space object. The act of registration carries liability for the registering country in the event that the satellite causes third party damage. Administrations may place certain requirements on satellite licensees in order to procure the necessary launch or operational authorizations that accompany registration of the satellite. In some jurisdictions, these authorizations are separate and distinct, with unique requirements, from the authorization to use a set of frequencies to provide satellite services.

Telecommunications Regulation. Many of the services we provide are also subject to the regulation of other countries as telecommunications services. For certain services, we may be required to contribute fees to a universal service or other fund to support mechanisms that subsidize the provision of services to designated groups. Many countries also impose requirements on telecommunications carriers to ensure that law enforcement agencies are able to conduct lawfully-authorized surveillance of users of their services. In addition, we are subject to a number of other rules, including rules related to telephony service such as the protection of customer information and processing of emergency calls.

Export Control Regulation

In the operation of our business, we must comply with all applicable export control and trade sanctions laws and regulations of the U.S. and other countries. Applicable U.S. laws and regulations include the Arms Export Control Act, the International Traffic in Arms Regulations (“ITAR”), the Export Administration Regulations (“EAR”), and the trade sanctions laws and regulations administered by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”).

The export of certain hardware, technical data, and services relating to satellites and the supply of certain ground control equipment, technical data and services to non-U.S. persons or to destinations outside the U.S. is regulated by the U.S. Department of Commerce’s Bureau of Industry and Security (“BIS”) under the EAR. In addition, BIS regulates our export of satellite communications network equipment to non-U.S. persons or to destinations outside of the U.S. The export of other items is regulated by the U.S. Department of State’s Directorate of Defense Trade Controls (“DDTC”) under the ITAR and are subject to strict export control and prior approval requirements. In addition, we cannot provide certain equipment or services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from OFAC. We are also subject to the Foreign Corrupt Practices Act and other similar foreign regulations, which generally prohibits companies and their intermediaries from making improper payments or giving or promising to give anything of value to foreign government officials and other individuals for the purpose of obtaining or retaining business or gaining a competitive advantage.

Environmental Regulation

We are subject to the requirements of federal, state, local, and foreign environmental and occupational safety and health laws and regulations. These include laws regulating air emissions, waste-water discharge and waste management, most significantly the Resource Conservation and Recovery Act (“RCRA”) and the Emergency Planning and Community Right-to-Know Act (“EPCRA”). Under the RCRA, our Hughes segment is considered a small quantity generator.

As required by the EPCRA, we file annual reports with regulatory agencies covering four areas: Emergency Planning, Emergency Release, Hazardous Chemical Storage, and Toxic Chemical Release Inventory. We maintain small quantities of hazardous materials on our premises and, therefore, have relatively modest reporting requirements under the EPCRA. We are also subject to the requirements of other environmental and occupational safety and health laws and regulations. Additionally, we review SARA Title III regulatory requirements and annually report quantities of onsite material storage using Tier II, state DEQ (Department of Environmental Quality) reporting systems.

Our environmental compliance costs, capital and other expenditures to date have not been material, and we do not expect them to be material in 2018. However, environmental requirements are complex, change frequently, and have become more stringent over time. Accordingly, we cannot provide assurance that these requirements will not change or become more stringent in the future in a manner that could have a material adverse effect on our business and/or environmental compliance costs, capital or other expenditures.

PATENTS AND TRADEMARKS

We currently rely on a combination of patent, trade secret, copyright and trademark law, together with licenses, non-disclosure and confidentiality agreements and technical measures, to establish and protect proprietary rights in our products. We hold U.S. and foreign patents covering various aspects of our products and services. The duration of each of our U.S. patents is generally 20 years from the earliest filing date to which the patent has priority. We have granted licenses to use our trademarks and service-marks to affiliates and resellers worldwide, and we typically retain the right to monitor the use of those marks and impose significant restrictions on their use in efforts to ensure a consistent brand identity. We protect our proprietary rights in our software through software licenses that, among other things, require that the software source code be maintained as confidential information and that prohibit any reverse-engineering of that code.

We believe that our patents are important to our business. We also believe that, in some areas, the improvement of existing products and the development of new products, as well as reliance upon trade secrets and unpatented proprietary know-how, are important in establishing and maintaining a competitive advantage. We believe, to a certain extent, that the value of our products and services are dependent upon our proprietary software, hardware, and other technology remaining trade secrets and/or subject to copyright protection. Generally, we enter into non-disclosure and invention assignment agreements with our employees, subcontractors, and certain customers and other business partners. Please see Item 3. — Legal Proceedings of this report for more information.

RESEARCH AND DEVELOPMENT AND ENGINEERING

We have a skilled and multi-disciplined engineering organization that develops our products and services. Our in-house technological capability includes a wide range of skills required to develop systems, hardware, software, and firmware used in our products and services.

With respect to hardware development, we have skill sets that include complex digital designs, radio frequency and intermediate frequency analog designs, advanced application-specific integrated circuit designs, and sophisticated consumer and system level packaging designs. We also have extensive experience in developing products for high-volume, low-cost manufacturing for the consumer industry, including dual mode satellite and wireless handsets.

As a complement to our hardware development, we have extensive experience in designing reliable, real time, embedded software systems as part of our communication systems and services offerings. For example, our broadband product line for the enterprise market supports an extensive range of protocols for data communications. Our engineers have also developed many large turnkey systems for our customers by designing the overall solution, implementing the various subsystems, deploying the entire network and user terminals, integrating and verifying the operational system, and ultimately training the customers' technicians and operators.

Costs incurred in research and development activities generally are expensed as incurred. A significant portion of our research and development costs are incurred in connection with the specific requirements of a customer's order. In such instances, the amounts for these customer funded development efforts are included in cost of sales. Cost of sales includes research and development costs incurred in connection with customers' orders of approximately \$27.9 million, \$23.7 million and \$19.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, we incurred other research and development expenses of approximately \$31.7 million, \$31.2 million and \$26.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

GEOGRAPHIC AREA DATA AND TRANSACTIONS WITH MAJOR CUSTOMERS

For principal geographic area data and transactions with major customers for 2017, 2016 and 2015, see Note 17 in the notes to consolidated financial statements in Item 15 of this report. See Item 1A. — Risk Factors for information regarding risks related to our foreign operations.

EMPLOYEES

As of December 31, 2017, we had approximately 2,100 employees and generally consider relations with them to be good. Other than approximately 170 of our employees located in Italy and Brazil, none are represented by a union.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and accordingly file an annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and other information with the Securities and Exchange Commission ("SEC"). The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the operation of the Public Reference Room. As an electronic filer, our public filings are also maintained on the SEC's internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that website is <http://www.sec.gov>.

WEBSITE ACCESS

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, may also be accessed free of charge through our website as soon as reasonably practicable after we have electronically filed such material with, or furnished it to, the SEC. The address of that website is <http://www.echostar.com>.

We have adopted a written code of ethics that applies to all of our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, in accordance with the Sarbanes-Oxley Act of 2002 and the rules of the SEC promulgated thereunder. Our code of ethics is available on our corporate website at <http://www.echostar.com>. In the event that we make changes in, or provide waivers of, the provisions of this code of ethics that the SEC requires us to disclose, we intend to disclose these events on our website.

EXECUTIVE OFFICERS OF THE REGISTRANT

(furnished in accordance with Item 401(b) of Regulation S-K, pursuant to General Instruction G(3) of Form 10-K)

The following table and information below sets forth the name, age and position with EchoStar of each of our executive officers, the period during which each executive officer has served as such, and each executive officer's business experience during at least the past five years:

Name	Age	Position
Charles W. Ergen	64	Chairman
Michael T. Dugan	69	Chief Executive Officer, President and Director
David J. Rayner	60	Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer
Anders N. Johnson	60	Chief Strategy Officer and President, EchoStar Satellite Services L.L.C.
Pradman P. Kaul	71	President, Hughes Communications, Inc. and Director
Kranti K. Kilaru	52	Executive Vice President
Dean A. Manson	51	Executive Vice President, General Counsel and Secretary

Charles W. Ergen. Mr. Ergen has served as our executive Chairman since November 2009 and Chairman of the Board of Directors since our formation in 2007. Mr. Ergen served as our Chief Executive Officer from our formation in 2007 until November 2009. Mr. Ergen serves as executive Chairman and has been Chairman of the Board of Directors of DISH Network since its formation and, during the past five years, has held executive officer and director positions with DISH Network and its subsidiaries, most recently serving as the Chief Executive Officer of DISH Network from March 2015 to December 2017.

Michael T. Dugan. Mr. Dugan has served as our Chief Executive Officer and President since November 2009. Mr. Dugan has also served as a member of our Board of Directors since our formation in 2007. Mr. Dugan served as a senior advisor to EchoStar from January 1, 2008 until November 2009. From May 2004 to December 2007, he was a director of DISH Network and from 1990 to 2006 served in several executive roles at DISH Network, including as President, Chief Operating Officer, Chief Technical Officer and senior advisor.

David J. Rayner. Mr. Rayner has served as our Executive Vice President, Chief Financial Officer, and Treasurer since December 2012 and as our Chief Operating Officer since September 2016. From November 2011 to November 2012, Mr. Rayner served as Chief Financial Officer of Tendril Networks, Inc., a Boulder, Colorado software company. Mr. Rayner served as our Chief Financial Officer from June 2010 to November 2011 and served as our Chief Administrative Officer from January 2008 to June 2010. Prior to that, Mr. Rayner served as Executive Vice President of Installation and Service Networks of DISH Network and previously as Chief Financial Officer of DISH Network. Before joining DISH Network in December 2004, Mr. Rayner served as Senior Vice President and Chief Financial Officer of Time Warner Telecom in Denver, beginning in June 1998.

Anders N. Johnson. Mr. Johnson has served as President of EchoStar Satellite Services L.L.C. since June 2011 and as our Chief Strategy Officer since September 2016. Before joining EchoStar, Mr. Johnson was most recently at SES World Skies where he served as Senior Vice President of Strategic Satellite Development. Mr. Johnson joined SES GLOBAL after the combination of GE Americom and SES GLOBAL in 2001. Prior to SES GLOBAL, Mr. Johnson worked at GE Capital beginning in 1985 in a variety of executive level roles in Satellite Services, Aviation Services, and Transportation & Industrial Financing.

Pradman P. Kaul. Mr. Kaul has served as President of Hughes Communications, Inc. ("Hughes Communications") since its formation in February 2006, and as President of Hughes Network Systems, LLC, a wholly owned subsidiary of Hughes Communications ("HNS" and, together with Hughes Communications, "Hughes") since 2000. Mr. Kaul has also served as a member of our Board of Directors since August 2011 as well as a member of the board of directors of Hughes Communications from February 2006 until June 2011. Previously, Mr. Kaul served as the Chief Operating Officer, Executive Vice President and Director of Engineering of HNS.

Kranti K. Kilaru. Mr. Kilaru has served as an Executive Vice President since May 2017 and from July 2013 until May 2017 as our Executive Vice President, Business Systems, IT and Operations. Mr. Kilaru served as Senior Vice President of our systems engineering group from April 2005 to July 2013.

Dean A. Manson. Mr. Manson has served as our Executive Vice President, General Counsel and Secretary since November 2011. Mr. Manson also serves as Executive Vice President, General Counsel and Secretary of Hughes Communications. Mr. Manson joined Hughes in 2000 from the law firm of Milbank, Tweed, Hadley & McCloy LLP, where he focused on international project finance and corporate transactions, and was appointed General Counsel of Hughes in 2004.

There are no arrangements or understandings between any executive officer and any other person pursuant to which any executive officer was selected as such. Pursuant to the Bylaws of EchoStar, executive officers serve at the discretion of the Board of Directors.

Item 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing us. If any of the following events occur, our business, financial condition, results of operation, prospects or ability to fund a share repurchase program, invest capital in or otherwise run our business, execute on our strategic plans or return capital to our shareholders could be materially and adversely affected.

GENERAL RISKS AFFECTING OUR BUSINESS

We currently derive a significant portion of our revenue from DISH Network. The loss of, or a significant reduction in, orders from, or a decrease in selling prices of satellite services, broadband equipment and/or other services or products to DISH Network would significantly reduce our revenue and materially adversely impact our results of operations.

DISH Network accounted for 23.7%, 26.1% and 29.4% of our total revenue for the years ended December 31, 2017, 2016 and 2015, respectively.

DISH Network is the primary customer of the satellite services provided by our ESS segment. For the years ended December 31, 2017, 2016 and 2015, DISH Network accounted for 87.9%, 85.7% and 86.3% of our total ESS segment revenue. We have entered into certain commercial agreements with DISH Network pursuant to which we provide DISH Network with satellite services at fixed prices for varying lengths of time depending on the satellite. See Note 19 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our related party transactions with DISH Network. We depend on DISH Network for a significant portion of the revenue for our ESS segment, and we expect that DISH Network will continue to be the primary source of revenue for our ESS segment. DISH Network may terminate or curtail its purchase of satellite services from us with little or no advance notice. The results of operations of our ESS segment are linked to changes in DISH Network's satellite capacity requirements. DISH Network's capacity requirements have been driven by the addition of new channels and migration of programming to high-definition TV and video on demand services. The services that we provide to DISH Network are critical to its nationwide delivery of content to its customers across the U.S. There is no assurance that we will continue to provide satellite services to DISH Network and DISH Network's satellite capacity requirements may change for a variety of reasons, including its ability to construct and launch its own satellites. The success of our ESS segment also depends to a significant degree on the continued success of DISH Network in attracting new subscribers and marketing programming packages and other services. If DISH Network is unable to develop and effectively market compelling reasons for its subscribers to purchase its pay-TV services, DISH Network's need for our satellite services may decrease. Any termination, curtailment or reduction in the satellite services we provide to DISH Network or the prices that DISH Network pays us for such services may cause us to have unused capacity on our satellites, require us to aggressively pursue alternative sources of revenue for this business and have a material adverse effect on our business, results of operation and financial position.

If we lose DISH Network as a customer of the satellite services provided by our ESS segment, it may be difficult for us to replace, in whole or in part, our historical revenue from DISH Network because there are a relatively small number of potential customers for our specialized services, and we have had limited success in attracting such potential new customers in the past. Historically, many potential customers of our ESS segment have perceived us as a competitor due to our affiliation with DISH Network. There can be no assurance that we will be successful in entering into any commercial relationships with potential new customers who are competitors of DISH Network (particularly if we continue to be perceived as affiliated with DISH Network as a result of common ownership and certain shared services). If we do not develop relationships with new customers, we may not be able to expand our customer base or maintain or increase our revenue.

Furthermore, DISH Network is transitioning from being a wholesale distributor of the satellite internet service of our Hughes segment to being a sales agent for such services. DISH Network (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for the Hughes satellite internet service and related equipment and other telecommunications services and (ii) will install Hughes service equipment with respect to activations generated by DISH Network. For the years ended December 31, 2017, 2016 and 2015, DISH Network accounted for 5.6%, 7.7% and 7.8% of our total Hughes segment revenue. Any material reduction in or termination of sales generated by DISH Network in its capacity as our sale agent could have a material adverse effect on our business, results of operations, and financial position.

Our strategic initiatives may not be successfully implemented, may not elicit the expected customer response in the market and may result in competitive reactions.

We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives, domestically and internationally, that we believe may allow us to increase our existing market share, expand into new markets and new customers, broaden our portfolio of services, products and intellectual property, and strengthen our relationships with our customers. We may allocate significant resources for long-term initiatives that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

The successful implementation of our strategic initiatives requires an investment of time, talent and money and is dependent upon a number of factors some of which are not within our control. Those factors include the ability to execute such initiatives in new and existing markets, the response of existing and potential new customers, and the actions or reactions of competitors. We may allocate significant resources for long-term initiatives that may not have a short or medium term or any positive impact on our revenue, results of operations, or cash flow. If we fail to properly execute or deliver products or services that address customers' expectations, it may have an adverse effect on our ability to retain and attract customers and may increase our costs and reduce our revenue. Similarly, competitive actions or reactions to our initiatives or advancements in technology or competitive products or services could impair our ability to execute those strategic initiatives or advancements. In addition, new strategic initiatives may face barriers to entering new or existing markets with established or new competitors. There can be no assurance that we will successfully implement these strategic initiatives or that, if successfully pursued, they will have the desired effect on our business or results of operations.

We could face decreased demand and increased pricing pressure to our products and services due to competition.

Our business operates in an intensely competitive, consumer-driven and rapidly changing environment and competes with a growing number of companies that provide products and services to consumers. There can be no assurance that we will be able to effectively compete against our competitors due to their significant resources and operating history. Risks to our business from competition include, but are not limited to, the following:

- Our ESS segment competes against larger, well-established satellite service companies. Because the satellite services industry is relatively mature, our growth strategy depends largely on our ability to displace current incumbent providers, which often have the benefit of long-term contracts with customers. These long-term contracts and other factors result in relatively high costs for customers to change service providers, making it more difficult for us to displace customers from their current relationships with our competitors. In addition, the supply of satellite capacity available in the market has increased in recent years, which makes it more difficult for us to sell our services in certain markets and to price our capacity at acceptable levels. Competition may cause downward pressure on prices and further reduce the utilization of our capacity, both of which could have an adverse effect on our financial performance. Our ESS segment also competes with both fiber optic cable and terrestrial delivery systems, which may have a cost advantage, particularly in point-to-point applications where such delivery systems have been installed, and with new delivery systems being developed, which may have lower latency and other advantages.
- In our consumer market, our Hughes segment faces competition primarily from DSL, fiber and cable internet service providers. Also, other telecommunications, satellite and wireless broadband companies have launched or are planning the launch of consumer internet access services in competition with our service offerings in North America, Brazil and other countries. Some of these competitors offer consumer services and hardware at lower prices than ours. In addition, terrestrial alternatives do not require our external dish, which may limit customer acceptance of our products. We may be unsuccessful in competing effectively against DSL, fiber and cable internet service providers and other satellite broadband providers, which could harm our business, operating results and financial condition.
- In our enterprise network communications market, our Hughes segment faces competition from providers of terrestrial-based networks, such as fiber, DSL, cable modem service, multiprotocol label switching and internet protocol-based virtual private networks, which may have advantages over satellite networks for certain customer applications. Although we also sell terrestrial services to this market, we may not be as cost competitive and it may become more difficult for us to compete. The network communications industry is characterized by competitive pressures to provide enhanced functionality for the same or lower price with each new generation of technology. Terrestrial-based networks are offered by telecommunications carriers and other large companies, many of which have substantially greater financial resources and greater name recognition than us. As the prices of our products decrease, we will need to sell more products and/or reduce the per-unit costs to improve or maintain our results of operations. The costs of a satellite network may exceed those of a terrestrial-based network or other networks, especially in areas that have experienced significant DSL and cable internet build-out. It may become more difficult for us to compete

with terrestrial and other providers as the number of these areas increases and the cost of their network and hardware services declines. Terrestrial networks also have a competitive edge because of lower latency for data transmission.

To the extent we have available satellite capacity in our ESS segment, our results of operations may be materially adversely affected if we are not able to provide satellite services on this capacity to third parties, including DISH Network.

While we are currently evaluating various opportunities to make profitable use of our available satellite capacity (including, but not limited to, supplying satellite capacity for new domestic and international ventures), there can be no assurance that we can successfully develop these business opportunities. If we are unable to utilize our available satellite capacity for providing satellite services to third parties, including DISH Network, our margins could be negatively impacted, and we may be required to record impairments related to our satellites.

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

Our Hughes segment has made substantial contractual commitments for satellite capacity based on our existing customer contracts and backlog. If our existing customer contracts were to be terminated prior to their respective expiration dates, we may be committed to maintaining excess satellite capacity for which we will have insufficient revenue to cover our costs, which would have a negative impact on our margins and results of operations. Alternatively, we may not have sufficient satellite capacity available from our satellites or purchased from third parties to meet demand and we may not be able to quickly or easily adjust our capacity to changes in demand. As capacity becomes full on our existing satellites, significant delays in the construction or launch of new satellites and/or satellite anomalies or failures could materially and adversely affect our ability to provide services to customers. We generally only purchase satellite capacity based on existing contracts and bookings. Therefore, capacity for certain types of coverage in the future may not be readily available to us, and we may not be able to satisfy certain needs of our customers, which could result in a loss of possible new business and could negatively impact the margins for those services. Our ability to provide additional capacity for subscriber growth in our North American consumer market could also be adversely affected by regulations and/or legislation in the U.S. that enable or propose to enable the use of a portion of the frequency bands, we currently use or in the future intend to use for satellite services, 5G mobile terrestrial services or other uses. These bands include the Ka-band, where we operate our broadband gateway earth stations, and other bands in which we may operate in the future. Such regulation or legislation could limit our ability to use the Ka-band and/or other bands, limit our flexibility to change the way in which we use the Ka-band and/or adversely impact our ability to use additional bands in the future. Other countries in which we currently, or may in the future, operate are also considering regulations that could similarly limit access to the Ka-band or other frequency bands. In addition, the FSS industry has seen consolidation in the past decade, and today, the main FSS providers in North America and a number of smaller regional providers own and operate the current satellites that are available for our capacity needs. The failure of any of these FSS providers to replace existing satellite assets at the end of their useful lives or a downturn in their industry as a whole could reduce or interrupt the satellite capacity available to us. Our business and results of operations could be adversely affected if we are not able to renew our capacity leases at economically viable rates, or if capacity is not available due to problems experienced by these FSS providers or if frequencies are not available to us.

We are dependent upon third-party providers for components, manufacturing, installation services, and customer support services, and our results of operations may be materially adversely affected if any of these third-party providers fail to appropriately deliver the contracted goods or services.

We are dependent upon third-party services and products provided to us, including the following:

- **Components** . A limited number of suppliers manufacture, and in some cases a single supplier manufactures, some of the key components required to build our products. These key components may not be continually available and we may not be able to forecast our component requirements sufficiently in advance, which may have a detrimental effect on supply. If we are required to change suppliers for any reason, we would experience a delay in manufacturing our products if another supplier is not able to meet our requirements on a timely basis. In addition, if we are unable to obtain the necessary volumes of components on favorable terms or prices on a timely basis, we may be unable to produce our products at competitive prices and we may be unable to satisfy demand from our customers. Our reliance on a single or limited group of suppliers, particularly foreign suppliers, and our reliance on subcontractors, involves several risks. These risks include a potential inability to obtain an adequate supply of required components, reduced control over pricing, quality, and timely delivery of these components, and the potential bankruptcy, lack of liquidity or operational failure of our suppliers. We do not generally maintain long-term agreements with any of our suppliers or subcontractors for our products. An inability to obtain adequate deliveries or any other circumstances requiring us to seek al

ternative sources of supply could affect our ability to ship our products on a timely basis, which could damage our relationships with current and prospective customers and harm our business, resulting in a loss of market share, and reduced revenue and income.

- **Commodity Price Risk.** Fluctuations in pricing of raw materials can affect our product costs. To the extent that component pricing does not decline or increases, whether due to inflation, increased demand, decreased supply or other factors, we may not be able to pass on the impact of increasing raw materials prices, component prices or labor and other costs, to our customers, and we may not be able to operate profitably. Such changes could have an adverse impact on our product costs.
- **Manufacturing.** While we develop and manufacture prototypes for certain of our products, we use contract manufacturers to produce a significant portion of our hardware. If these contract manufacturers fail to provide products that meet our specifications in a timely manner, then our customer relationships and revenue may be harmed.
- **Installation and customer support services.** Some of our products and services, such as our North American and international operations, utilize a network of third-party installers to deploy our hardware. In addition, a portion of our customer support and management is provided by third-party call centers. A decline in levels of service or attention to the needs of our customers could adversely affect our reputation, renewal rates and ability to win new business.
- **Other services.** Some of our products rely on third parties to provide services necessary for the operation of functionalities of the products, such as third-party cloud computing services and satellite uplink hosting services. The failure of these services could disrupt the operation of certain functionalities of our products, which could harm our customer relationship and result in a loss of sales. In addition, if the agreements for the provision of these services are terminated or not renewed, we could face difficulties replacing these service providers, which would adversely affect our ability to obtain and retain customers and result in reduced revenue and income.

Our foreign operations and investments expose us to risks and restrictions not present in our domestic operations.

Our sales outside the U.S. are growing and accounted for approximately 19.3%, 18.2% and 17.3% of our revenue for the years ended December 31, 2017, 2016 and 2015, respectively. Collectively, we expect our foreign operations to continue to represent a significant and growing portion of our business. Over the last 10 years, we sold products in over 100 countries and began offering broadband internet services to consumers in Brazil and Colombia and intend to continue to do so in other Central and South American countries. Our foreign operations involve varying degrees of risk and uncertainties inherent in doing business abroad. Such risks include:

- **Complications in complying with restrictions on foreign ownership and investment and limitations on repatriation.** We may not be permitted to own our operations in some countries and may have to enter into partnership or joint venture relationships. Many foreign legal regimes restrict our repatriation of earnings to the U.S. from our subsidiaries and joint venture entities. Applicable law in such foreign countries may also limit our ability to distribute or access our assets or offer our products and services in certain circumstances. In such event, we will not have access to the cash flow and assets of our subsidiaries and joint ventures.
- **Difficulties in following a variety of laws and regulations related to foreign operations.** Our international operations are subject to the laws and regulations of many different jurisdictions that may differ significantly from U.S. laws and regulations. For example, local privacy or intellectual property laws may hold us responsible for the data that is transmitted over our network by our customers. In addition, we are subject to the Foreign Corrupt Practices Act and similar anti-bribery laws in other jurisdictions that generally prohibit companies and their intermediaries from making improper payments or giving or promising to give anything of value to foreign officials and other individuals for the purpose of obtaining or retaining business or gaining a competitive advantage. Our policies mandate compliance with these laws. However, we operate in many parts of the world that have experienced corruption to some degree. Compliance with these laws may lead to increased operations costs or loss of business opportunities. Violations of these laws could result in fines or other penalties or sanctions, which could have a material adverse impact on our business, financial condition, and results of operations.
- **Restrictions on space station landing/terrestrial rights .** Satellite market access and landing rights and terrestrial wireless rights are dependent on the national regulations established by foreign governments, including, but not limited to obtaining national authorizations or approvals and meeting other regulatory, coordination and registration requirements for satellites. Because regulatory schemes vary by country, we may be subject to laws or regulations in foreign countries of which we are not presently aware. Non-compliance with these requirements may result in the loss of the authorizations and licenses to conduct business in these countries, as well as fines or other financial and non-financial penalties for non-compliance with regulations. If that were to be the case, we could be subject to sanctions, penalties and/or other actions by a foreign government that could materially and adversely affect our ability to operate in that country. There is no assurance that any current

regulatory approvals held by us are, or will remain, sufficient in the view of foreign regulatory authorities, or that any additional necessary approvals will be granted on a timely basis or at all, in all jurisdictions in which we wish to operate new satellites, or that applicable restrictions in those jurisdictions will not be unduly burdensome. Violations of laws or regulations may result in various sanctions including fines, loss of authorizations and the denial of applications for new authorizations or for the renewal of existing authorizations, and the failure to obtain or comply with the authorizations and regulations governing our international operations could have a material adverse effect on our ability to generate revenue and our overall competitive position.

- **Financial and legal constraints and obligations.** Operating pursuant to foreign licenses subjects us to certain financial constraints and obligations, including, but not limited to: (a) tax liabilities that may or may not be dependent on revenue; (b) the burden of creating and maintaining additional entities, branches, facilities and/or staffing in foreign jurisdictions; and (c) legal regulations requiring that we make certain satellite capacity available for “free,” which may impact our revenue. In addition, if we need to pursue legal remedies against our customers or our business partners located outside of the U.S., it may be difficult for us to enforce our rights against them.
- **Compliance with applicable export control laws and regulations in the U.S. and other countries.** We must comply with all applicable export control and trade sanctions laws and regulations of the U.S. and other countries. U.S. laws and regulations applicable to us include the Arms Export Control Act, ITAR, EAR and trade sanctions laws and regulations administered by OFAC. The export of certain hardware, technical data and services relating to satellites is regulated by BIS under EAR. Other items are controlled for export by the DDTC under ITAR. We cannot provide equipment or services to certain countries subject to U.S. trade sanctions unless we first obtain the necessary authorizations from OFAC. Violations of these laws or regulations could result in significant sanctions including fines, more onerous compliance requirements, debarments from export privileges, or loss of authorizations needed to conduct aspects of our international business. A violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.
- **Changes in exchange rates between foreign currencies and the U.S. dollar.** We conduct our business and incur cost in the local currency of a number of the countries in which we operate. Accordingly, our applicable results of operations are reported in the relevant local currency and then translated to U.S. dollars at the applicable currency exchange rate for inclusion in our financial statements. In addition, we sell our products and services and acquire supplies and components from countries that historically have been, and may continue to be, susceptible to recessions, instability or currency devaluation. These fluctuations in currency exchange rates, recessions and currency devaluations have affected, and may in the future affect, revenue, profits and cash earned on international sales.
- **Greater exposure to the possibility of economic instability, the disruption of operations from labor and political disturbances, expropriation or war.** As we conduct operations throughout the world, we could be subject to regional or national economic downturns or instability, acts of terrorism, labor or political disturbances or conflicts of various sizes, including wars. Any of these disruptions could detrimentally affect our sales in the affected region or country or lead to damage to, or expropriation of, our property or danger to our personnel.
- **Competition with large or state-owned enterprises and/or regulations that effectively limit our operations and favor local competitors.** Many of the countries in which we conduct business have traditionally had state owned or state granted monopolies on telecommunications services that favor an incumbent service provider. We face competition from these favored and entrenched companies in countries that have not deregulated. The slower pace of deregulation in these countries, including in Asia, Latin America, Middle East, Africa and Eastern Europe, has adversely affected, and is likely to continue to adversely affect, the development and growth of our business in these regions.
- **Customer credit risks.** Customer credit risks are exacerbated in foreign operations because there is often little information available about the credit histories of customers in certain of the foreign countries in which we operate.

We may experience loss from some of our customer contracts.

We provide access to our telecommunications networks to customers that use a variety of platforms such as satellite, wireless 3G, 4G, cable, fiber optic and DSL. These customer contracts may require us to provide services at a fixed price for the term of the contract. To facilitate the provision of this access, we may enter into contracts with terrestrial platform providers. Our agreements with these subcontractors may allow for prices to be changed during the term of the contracts. We assume greater financial risk on these customer contracts than on other types of contracts because if we do not estimate costs accurately and there is an increase in our subcontractors’ prices, our net profit may be significantly reduced or there may be a loss on the contracts.

We may experience significant financial losses on our existing investments.

We have entered into certain strategic transactions and investments. These investments involve a high degree of risk and could diminish our financial condition or our ability to fund a share repurchase program, invest capital in our business or return capital to our shareholders. The overall sustained economic uncertainty, as well as financial, operational and other difficulties encountered by certain companies in which we have invested increases the risk that the actual amounts realized in the future on our debt and equity investments will differ significantly from the fair values currently assigned to them. In addition, the companies in which we invest or with whom we partner may not be able to compete effectively or there may be insufficient demand for the services and products offered by these companies. These investments could also expose us to significant financial losses and may restrict our ability to make other investments or limit alternative uses of our capital resources. If our investments suffer losses, our financial condition could be materially adversely affected.

We may pursue acquisitions, capital expenditures, the development and launch of new satellites and other strategic transactions to complement or expand our business, which may not be successful and we may lose a portion or all of our investment in these acquisitions and transactions.

Our future success may depend on the existence of, and our ability to capitalize on, opportunities to acquire or develop other businesses or technologies or partner with other companies that could complement, enhance or expand our current business, services or products or that may otherwise offer us growth opportunities. We may pursue investments, commercial alliances, partnerships, joint ventures, acquisitions or other strategic initiatives or development activities, including, without limitation, the design, development, construction and launch of new satellites, to complement or expand our business and satellite fleet. Any such acquisitions, activities, transactions or investments that we are able to identify and complete which may become substantial over time, involve a high degree of risk, including, but not limited to, the following:

- the diversion of our management's attention from our existing business to integrate the operations and personnel of the acquired or combined business, technology or joint venture and/or to engage in such investments and/or other activities;
- the ability and capacity of our management team to carry out all of our business plans, including with respect to our existing businesses and any businesses we acquire or embark on in the future;
- possible adverse effects on our and our targets' and partners' business, financial condition or operating results during the integration process;
- exposure to significant financial losses if the transactions, activities, investments and/or the underlying ventures are not successful and/or we are unable to achieve the intended objectives of the transaction or investment;
- the inability to obtain in the anticipated time frame, or at all, any regulatory approvals required to complete proposed acquisitions, activities, transactions or investments;
- the risks associated with complying with regulations applicable to the acquired or developed business or technologies which may cause us to incur substantial expenses;
- the inability to realize anticipated benefits or synergies from acquisitions, investments, alliances and/or the development and launch of new satellites;
- the disruption of relationships with employees, vendors or customers;
- the risks associated with foreign and international operations and/or investments; and
- the risks associated with developing and constructing new satellites.

New investments, commercial alliances, partnerships, joint ventures, acquisitions, development activities, including, without limitation, the design, development, construction and launch of new satellites, and other strategic initiatives may require the commitment of significant capital that may otherwise be directed to investments in our existing businesses or be distributed to shareholders. Commitment of this capital may cause us to defer or suspend any share repurchases or capital expenditures that we otherwise may have made.

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

As of December 31, 2017, our total indebtedness was approximately \$3.63 billion. Our ability to make payments on or to refinance our indebtedness and to fund our operations will depend on our ability to generate cash in the future, which is subject in part to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to raise additional capital in order to fund ongoing operations or to capitalize on business opportunities. We may not

be able to generate sufficient cash flow from operations and future borrowings or equity may not be available in amounts sufficient to enable us to service our indebtedness or to fund our operations or other liquidity needs. If we are unable to generate sufficient cash, we may be forced to take actions such as revising or delaying our strategic plans, reducing or delaying capital expenditures and/or the development, design and construction of new satellites, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to implement any of these actions on satisfactory terms, or at all. The indentures governing our indebtedness limit our ability to dispose of assets and use the proceeds from such dispositions. Therefore, we may not be able to consummate those dispositions on satisfactory terms, or at all, or to use those proceeds in a manner we may otherwise prefer. The Tax Cuts and Jobs Act of 2017 enacted in December 2017 (the “2017 Tax Act”) limits the deductibility of interest expense for U.S. federal income tax purposes. While the 2017 Tax Act generally is likely to reduce our federal income tax obligations, if these limitations or other newly enacted provisions become applicable to us, they could minimize such reductions or otherwise require us to pay additional federal income taxes, which in turn could result in additional liquidity needs.

In addition, conditions in the financial markets could make it difficult for us to access capital markets at acceptable terms or at all. Instability or other conditions in the equity markets could make it difficult for us to raise equity financing without incurring substantial dilution to our existing shareholders. In addition, sustained or increased economic weaknesses or pressures or new economic conditions may limit our ability to generate sufficient internal cash to fund investments, capital expenditures, acquisitions, and other strategic transactions and/or the development, design and construction of new satellites. We cannot predict with any certainty whether or not we will be impacted by economic conditions. As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

Covenants in our indentures restrict our business in many ways.

The indentures governing the HSS 6 1/2% Senior Secured Notes due 2019 (the “2019 Senior Secured Notes”), 7 5/8% Senior Notes due 2021 (the “2021 Senior Unsecured Notes”), 5.250% Senior Secured Notes due August 1, 2026 (the “2026 Senior Secured Notes”) and 6.625% Senior Unsecured Notes due August 1, 2026 (the “2026 Senior Unsecured Notes” and together with the 2026 Senior Secured Notes, the “2026 Notes”) contain various covenants, subject to certain exceptions, that limit our ability and/or our restricted subsidiaries’ ability to, among other things:

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

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

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

We believe that our future success will depend to a significant extent upon the performance of Mr. Charles W. Ergen, our Chairman, and certain other key executives. The loss of Mr. Ergen or of certain other key executives or of the ability of Mr. Ergen or certain other key executives to devote sufficient time and effort to our business could have a material adverse effect on our business, financial condition and results of operations. Although some of our key executives may have agreements relating to their equity compensation that limit their ability to work for or consult with competitors, under certain circumstances, we generally do not have employment agreements with them. To the extent Mr. Ergen or other officers are performing services for both DISH Network and us, their attention may be diverted away from our business and therefore adversely affect our business.

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

The formal two-year process governing the United Kingdom's (the "U.K.") departure from the European Union and its member states ("EU"), commonly referred to as the "Brexit," began on March 29, 2017. Although it is unknown what the ultimate terms of Brexit will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and EU countries. The effects of Brexit and the perceptions as to the impact of the withdrawal of the U.K. from the EU may also adversely affect business activity, political stability and economic and market conditions in the U.K., the Eurozone, the EU and elsewhere and could contribute to instability in global financial and foreign exchange markets, including volatility in the value of the Euro and the British Pound. Additionally, with the U.K. no longer being a part of the EU, there may be certain regulatory changes that may impact the regulatory regime under which we operate in both the U.K. and the EU. Given that a portion of our business is conducted in the EU, including the U.K., any of these and other changes, implications and consequences may adversely affect our business and results of operations.

A natural disaster could diminish our ability to provide service to our customers.

Natural disasters could damage or destroy our ground stations and/or other infrastructure, equipment and facilities, resulting in a disruption of service to our customers. We currently have backup systems and technology in place to safeguard our antennas and protect our ground stations during natural disasters such as tornadoes, but the possibility still exists that our ground facilities and/or other infrastructure, equipment and facilities could be impacted during a major natural disaster. If a future natural disaster impairs or destroys any of our ground facilities and/or other infrastructure, equipment and facilities, we may be unable to provide service to our customers in the affected area for a period of time which may adversely affect our business and results of operations.

We may have additional tax liabilities and changes in tax laws or regulations may have a material adverse effect on our business, cash flow, financial condition or results of operations.

We are subject to income taxes in the United States and foreign jurisdictions. Significant judgments are required in determining our provisions for income taxes. In the course of preparing our tax provisions and returns, we must make calculations where the ultimate tax determination may be uncertain. Our tax returns are subject to examination by the Internal Revenue Service ("IRS"), state, and foreign tax authorities. There can be no assurance as to the outcome of these examinations. If the ultimate determination of taxes owed is for an amount in excess of amounts previously accrued, our operating results, cash flows, and financial condition could be adversely affected.

Additionally, new or modified income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which, like the 2017 Tax Act, could affect the tax treatment of our domestic and foreign earnings. Any new taxes could adversely affect our domestic and international business operations and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. The 2017 Tax Act contains many significant changes to U.S. tax laws, including changes in corporate tax rates, the availability of net deferred tax assets relating to our U.S. operations, the taxation and repatriation of foreign earnings, and the deductibility of expenses. The 2017 Tax Act or other tax reform legislation has had and could have a material impact on the value of our deferred tax assets, has and could result in significant charges in the current or future taxable years, and could increase our future U.S. tax expense. Furthermore, changes to the taxation of undistributed foreign earnings could change our future intentions regarding reinvestment of such earnings. The foregoing items could have a material adverse effect on our business, cash flow, financial condition or results of operations.

We earn a portion of our operating income from outside the United States, and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for us. In addition, recent changes to U.S. tax laws will significantly impact how U.S. multinational corporations are taxed on foreign earnings. Numerous countries are evaluating their existing tax laws due

in part, to recommendations made by the Organization for Economic Co-operation and Development's ("OECD's") Base Erosion and Profit Shifting ("BEPS") project. Although we cannot predict whether or in what form any legislation based on such proposals may be adopted by the countries in which we do business, future tax reform based on such proposals or otherwise may increase the amount of taxes we pay and adversely affect our operating results and cash flows.

Due to the timing of the enactment and the complexity involved in applying the provisions of the 2017 Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. The U.S. Treasury Department, the IRS and other standard-setting bodies may issue guidance on how the provisions of the 2017 Tax Act will be applied or otherwise administered that is different from our interpretation. As we collect and prepare necessary data, and interpret the 2017 Tax Act and any additional guidance issued by the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts that could materially affect our financial position and results of operations as well as our effective tax rate in the period in which the adjustments are made.

RISKS RELATED TO OUR SATELLITES

Our owned and leased satellites in orbit are subject to significant operational and environmental risks that could limit our ability to utilize these satellites.

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as anomalies, which have occurred and may occur in the future in our satellites and the satellites of other operators as a result of various factors, such as satellite design and manufacturing defects, problems with the power systems or control systems of the satellites, general failures resulting from operating satellites in the harsh environment of space and cyber-attacks or physical attacks on our satellites.

Although we work closely with the satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide for redundancies of many critical components in the satellites, we may not be able to prevent anomalies or outages from occurring and may experience anomalies and outages in the future, whether of the types described above or arising from the failure of other systems or components.

Any single anomaly or outage or series of anomalies or outages could materially and adversely affect our ability to utilize the satellite, our operations, services and revenue as well as our relationships with current customers and our ability to attract new customers. In particular, future anomalies or outages may result in, among other things, the loss of individual transponders/beams and/or functional solar array circuits on a satellite, a group of transponders/beams on that satellite or the entire satellite, depending on the nature of the anomaly or outage. Anomalies or outages may also reduce the expected capacity, commercial operation and/or useful life of a satellite, thereby reducing the revenue that could be generated by that satellite, or create additional expenses due to the need to provide replacement or back-up satellites or satellite capacity earlier than planned and could have a material adverse effect on our business, financial condition and results of operations.

The loss of a satellite or other satellite malfunctions or anomalies or outages could have a material adverse effect on our financial performance, which we may not be able to mitigate by using available capacity on other satellites. 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. In addition, the loss of a satellite or other satellite malfunctions or anomalies or outages could affect our ability to comply with FCC and other regulatory obligations and our ability to fund the construction or acquisition of replacement satellites for our in-orbit fleet in a timely fashion, or at all. There can be no assurance that anomalies or outages will not impact the remaining useful life and/or the commercial operation of any of the satellites in our fleet. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail.

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that meteoroids will damage those satellites increases significantly when the Earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity also poses a potential threat to all in-orbit satellites.

Some decommissioned satellites are in uncontrolled orbits, which pass through the geostationary belt at various points and present hazards to operational satellites, including our satellites. We may be required to perform maneuvers to avoid collisions and these maneuvers may prove unsuccessful or could reduce the useful life of the satellite through the expenditure of fuel to perform these maneuvers. The loss, damage or destruction of any of our satellites as a result of an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business, financial condition and results of operations.

We historically have not carried in-orbit insurance on many of our satellites because we have assessed that the cost of such insurance is uneconomical relative to the risk of failures. If one or more of our in-orbit uninsured satellites fail, we could be required to record significant impairment charges for the satellite.

Our satellites have minimum design lives ranging from 12 to 15 years, but could fail or suffer reduced capacity before then.

Generally, the minimum design life of each of our satellites ranges from 12 to 15 years. We can provide no assurance, however, as to the actual operational lives of our satellites, which may be shorter or longer than their design lives. Our ability to earn revenue depends on the continued operation of our satellites, each of which has a limited useful life. A number of factors affect the useful lives of the satellites, including, among other things, the quality of their design and construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite's functions, the efficiency of the launch vehicle used, and the remaining on-board fuel following orbit insertion. In addition, continued improvements in satellite technology may make obsolete our existing satellites, or any satellites we may acquire in the future, prior to the end of their design lives.

In the event of a failure or loss of any of our satellites, we may relocate another satellite and use it as a replacement for the failed or lost satellite, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, such relocation would require governmental approval. We cannot be certain that we could obtain such governmental approval. In addition, we cannot guarantee that another satellite will be available for use as a replacement for a failed or lost satellite, or that such relocation can be accomplished without a substantial utilization of fuel. Any such utilization of fuel would reduce the operational life of the replacement satellite.

Our satellites under construction are subject to risks related to construction, technology, regulations and launch that could limit our ability to utilize these satellites and adversely affect our business and financial condition.

Satellite construction and launch are subject to significant risks, including delays, anomalies, launch failure and incorrect orbital placement. The technologies in our satellite designs are very complex and difficulties in constructing our designs could result in delays in the deployment of our satellites or increased or unanticipated costs. There also can be no assurance that the technologies in our existing satellites or in new satellites that we design and build will work as we expect and/or will not become obsolete, that we will realize any or all of the anticipated benefits of our satellite designs or our new satellites, or that we will obtain all regulatory approvals required to operate our new satellites. In addition, certain launch vehicles that may be used by us have either unproven track records or have experienced launch failures in the past. The risks of launch delay, launch anomalies and launch failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch anomalies and failures can result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take more than three years, and to obtain other launch opportunities. Such significant delays could materially and adversely affect our business, expenses and results of operations, our ability to meet regulatory or contractual required milestones, the availability and our use of other or replacement satellite resources and our ability to provide services to customers as capacity becomes full on existing satellites. In addition, significant delays in a satellite program could give customers who have purchased or reserved capacity on that satellite a right to terminate their service contracts relating to the satellite. We may not be able to accommodate affected customers on other satellites until a replacement satellite is available. A customer's termination of its service contracts with us as a result of a launch delay or failure would reduce our contracted backlog and our ability to generate revenue. One of our launch services providers is a Russian Federation state-owned company. Certain ongoing political events have created uncertainty as to the stability of U.S. and Russian Federation relations. This could add to risks relative to scheduling uncertainties and timing. If a launch delay, anomaly or failure were to occur, it could result in the revocation of the applicable license to operate the satellite, undermine our ability to implement our business strategy or develop or pursue existing or future business opportunities with applicable licenses and otherwise have a material adverse effect on our business, expenses, assets, revenue, results of operations and ability to fund future satellite procurement and launch opportunities. Historically, we have not always carried launch insurance for the launch of our satellites and the occurrence of launch anomalies and failures, whether on our satellites or those of others, may significantly reduce our ability to place launch insurance for our satellites or make launch insurance uneconomical.

Our use of certain satellites is often dependent on satellite coordination agreements, which may be difficult to obtain.

Satellite transmissions and the use of frequencies often are dependent on coordination with other satellite systems operated by U.S. or foreign satellite operators, including governments, and it can be difficult to determine the outcome of these coordination agreements with these other entities and governments. The impact of a coordination agreement may result in the loss of rights to the use of certain frequencies or access to certain markets. The significance of such a loss would vary and it can therefore be difficult to determine which portion of our revenue will be impacted.

In the event the international coordination process that is triggered by ITU filings under applicable rules is not successfully completed, or that the requests for modification of the BSS plan regarding the allocation of orbital locations and frequencies are not granted by the ITU, we will have to operate the applicable satellite(s) on a non-interference basis, which could have an adverse impact on our business operations. If we cannot do so, we may have to cease operating such satellite(s) at the affected orbital locations, which could have a material adverse effect on our business, results of operations and financial position.

Furthermore, the satellite coordination process is conducted under the guidance of the ITU radio regulations and the national regulations of the satellites involved in the coordination process. These rules and regulations could be amended and could therefore materially adversely affect our business, financial condition and results of operations.

We may face interference from other services sharing satellite spectrum.

The FCC and other regulators have adopted rules or may adopt rules in the future that allow non-geostationary orbit satellite services to operate on a co-primary basis in the same frequency band as DBS and FSS. The FCC has also authorized the use of multichannel video and data distribution service (“MVDDS”) in the DBS band. Several MVDDS systems are now being commercially deployed. Despite regulatory provisions designed to protect DBS and FSS operations from harmful interference, there can be no assurance that operations by other satellites or terrestrial communication services in the DBS and FSS bands will not interfere with our DBS and FSS operations and adversely affect our business.

Our dependence on outside contractors could result in delays related to the design, manufacture and launch of our new satellites, which could in turn adversely affect our operating results.

There are a limited number of manufacturers that are able to design and build satellites according to the technical specifications and standards of quality we require, including Airbus Defence and Space, Boeing Satellite Systems, Lockheed Martin, SSL and Thales Alenia Space. There are also a limited number of launch service providers that are able to launch such satellites, including International Launch Services, Arianespace, Lockheed Martin Commercial Launch Services and Space Exploration. The loss or failure to perform of any of our manufacturers or launch service providers could increase the cost and result in the delay of the design, construction or launch of our satellites. Even if alternate suppliers for such services are available, we may have difficulty identifying them in a timely manner or we may incur significant additional expense in changing suppliers, and this could result in difficulties or delays in the design, construction or launch of our satellites. Any delays in the design, construction or launch of our satellites could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR PRODUCTS AND TECHNOLOGY

If we are unable to properly respond to technological changes, our business could be significantly harmed.

Our business and the markets in which we operate are characterized by rapid technological changes, evolving industry standards and frequent product and service introductions and enhancements. If we or our suppliers are unable to properly respond to or keep pace with technological developments, fail to develop new technologies, or if our competitors obtain or develop proprietary technologies that are perceived by the market as being superior to ours, our existing products and services may become obsolete and demand for our products and services may decline. Even if we keep up with technological innovation, we may not meet the demands of the markets we serve. Furthermore, after we have incurred substantial research and development costs, one or more of the technologies under our development, or under development by one or more of our strategic partners, could become obsolete prior to its introduction. If we are unable to respond to or keep pace with technological advances on a cost-effective and timely basis, or if our products, applications or services are not accepted by the market, then our business, financial condition and results of operations could be adversely affected.

Our response to technological developments depends, to a significant degree, on the work of technically skilled employees. Competition for the services of such employees is intense. Although we strive to attract, retain and motivate these employees, we may not succeed in these respects.

We have made and will continue to make significant investments in research, development, and marketing for new products, services, satellites and related technologies, as well as entry into new business areas. Investments in new technologies, satellites and business areas are inherently speculative and commercial success thereof depends on numerous factors including innovativeness, quality of service and support, and effectiveness of sales and marketing. We may not achieve revenue or profitability from such investments for a number of years, if at all. Moreover, even if such products, services, satellites, technologies and business areas become profitable, their operating margins may be minimal.

Our future growth depends on growing demand for advanced technologies.

Future demand and effective delivery for our products will depend significantly on the growing demand for advanced technologies, such as broadband internet connectivity. If the deployment of, or demand for, advanced technologies is not as widespread or as rapid as we or our customers expect, our revenue growth will be negatively impacted.

Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others. The loss of our intellectual property rights or our infringement of the intellectual property rights of others could have a significant adverse impact on our business.

We rely on our patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with our vendors and other parties, to use our technologies, conduct our operations and sell our products and services. Legal challenges to our intellectual property rights and claims by third parties of intellectual property infringement could require that we enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of our businesses as currently conducted or as we plan to conduct it, which could require us to change our business practices or limit our ability to compete effectively or could otherwise have an adverse effect on our business, financial condition, results of operations or prospects. Even if any such challenges or claims prove to be without merit, they can be time-consuming and costly to defend and may divert management's attention and resources away from our business.

Moreover, due to the rapid pace of technological change, we rely in part on technologies developed or licensed by third parties, and if we are unable to obtain or continue to obtain licenses or other required intellectual property rights from these third parties on reasonable terms, our business, financial position and results of operations could be adversely affected. Technology licensed from third parties may have undetected errors that impair the functionality or prevent the successful integration of our products or services. As a result of any such changes or loss, we may need to incur additional development costs to ensure continued performance of our products or suffer delays until replacement technology, if available, can be obtained and integrated.

In addition, we work with third parties such as vendors, contractors and suppliers for the development and manufacture of components that are integrated into our products and our products may contain technologies provided to us by these third parties. We may have little or no ability to determine in advance whether any such technology infringes the intellectual property rights of others. Our vendors, contractors and suppliers may not be required to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages. Legal challenges to these intellectual property rights may impair our ability to use the products and technologies that we need in order to operate our business and may materially and adversely affect our business, financial condition and results of operations.

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

We are, and may become, subject to various legal proceedings and claims, which arise both in and out of the ordinary course of our business. Many entities, including some of our competitors, have or may in the future obtain patents and other intellectual property rights that cover or affect products or services related to those that we offer. In general, if a court determines that one or more of our products or services infringes valid intellectual property rights held by others, we may be required to cease developing or marketing those products or services, to obtain licenses from the holders of the intellectual property at a material cost, to pay damages or to redesign those products or services in such a way as to avoid infringement. If those intellectual property rights are held by a competitor, we may be unable to license the necessary intellectual property rights at any price, which could adversely affect our competitive position.

We may not be aware of all patents and other intellectual property rights that our products and services may potentially infringe. In addition, patent applications in the U.S. and foreign countries are confidential until the Patent and Trademark Office either publishes the application or issues a patent (whichever arises first) and, accordingly, our products may infringe claims contained in pending patent applications of which we are not aware. Further, the process of determining definitively whether a patent claim is valid and whether a particular product infringes a valid patent claim often involves expensive and protracted litigation, even if we are ultimately successful on the merits.

We cannot estimate the extent to which we may be required in the future to obtain licenses with respect to intellectual property rights held by others and the availability and cost of any such licenses. Those costs, and their impact on our results of

operations, could be material. Damages in patent infringement cases can be substantial, and in certain circumstances, can be trebled. To the extent that we are required to pay unanticipated royalties to third parties, these increased costs of doing business could negatively affect our liquidity and operating results. We are currently defending patent infringement actions and may assert our own actions against parties we suspect of infringing our patents and trademarks. We cannot be certain the courts will conclude these companies do not own the rights they claim, that these rights are not valid, or that our products and services do not infringe on these rights. We also cannot be certain that we will be able to obtain licenses from these persons on commercially reasonable terms or, if we were unable to obtain such licenses, that we would be able to redesign our products and services to avoid infringement. The legal costs associated with defending patent suits and pursuing patent claims against others may be borne by us if we are not awarded reimbursement through the legal process. See further discussion under Item 1. - Business — Patents and Trademarks and Item 3. - Legal Proceedings of this Annual Report on Form 10-K.

Future litigation or governmental proceedings could result in material adverse consequences, including judgments or settlements.

We may become involved in lawsuits, regulatory inquiries, consumer claims and governmental and other legal proceedings arising from our business, including new products and services that we may offer. Some of these proceedings may raise difficult and complicated factual and legal issues and can be subject to uncertainties and complexities. The timing of the final resolutions to lawsuits, regulatory inquiries, and governmental and other legal proceedings is typically uncertain. Additionally, the possible outcomes of, or resolutions to, these proceedings could include adverse judgments, settlements, injunctions or liabilities, any of which could require substantial payments or have other adverse impacts on our revenue, results of operations or cash flow.

If the encryption and related security technology used in our products is compromised, sales of our products may decline.

Our customers use encryption and related security technology obtained from us or our suppliers in the products that they purchase from us to protect their data and products from unauthorized access to the features or functionalities of such products. Such encryption and related security technology has been compromised in the past and may be compromised in the future even though we continue to respond with significant investment in security measures, such as updates in security software, that are intended to make data theft more difficult. It has been our prior experience that security measures may only be effective for short periods of time or not at all. We cannot ensure that we will be successful in reducing or controlling theft of our customers' data. As a result, sales of our products may decline, our reputation and customer relationship could be damaged and we may incur additional costs or financial liability in the future if security of our customers' system is compromised.

We rely on network and information systems and other technologies and a disruption, cyber-attack, failure or destruction of such networks, systems or technologies may disrupt or harm our business and damage our reputation, which could have a material adverse effect on our financial condition and operating results.

The capacity, reliability and security of our information technology hardware and software infrastructure are important to the operation of our business, which would suffer in the event of system disruptions or failures due to events such as computer hackings, cyber-attacks, computer viruses, ransomware, unauthorized access, denial of service attacks or other malicious, destructive or disruptive events. Security breaches, attacks, viruses, unauthorized access and other malicious, destructive or disruptive events or activities have significantly increased in recent years, and some of them have involved sophisticated and highly targeted attacks on computer networks. Our networks, systems and technologies and those of our third-party service providers and our customers may also be vulnerable to such security breaches, attacks, malicious activities and unauthorized access, resulting in misappropriation, misuse, leakage, corruption, unscheduled downtime, falsification and accidental or intentional release or loss of information maintained on our and our third party service providers' information technology systems and networks, including but not limited to customer, personnel and vendor data. If such risks were to materialize, we could be exposed to significant costs and interruptions, delays or malfunctions in our operations, any of which could damage our reputation and credibility and have a material adverse effect on our business, financial condition and results of operations. We may also be required to expend significant resources to protect against these threats or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we have significantly invested in and continue to implement generally recognized security measures, these measures may prove to be inadequate and we could be subject to regulatory penalties, fines, sanctions, enforcement actions, remediation obligations, and/or private litigation by parties whose information was improperly accessed, disclosed or misused which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the amount and scope of insurance that we maintain against losses resulting from these events may not be sufficient to compensate us adequately for any disruptions to our business or otherwise cover our losses, including reputational harm and negative publicity as well as any litigation liability. In addition, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the

continued implementation of our new service offering initiatives. A security breach or attack could impact our ability to expand or upgrade our technology infrastructure which could have adverse consequences, including the delayed implementation of new offerings, product or service interruptions, and the diversion of development resources.

If our products contain defects, we could be subject to significant costs to correct such defects and our product and network service contracts could be delayed or cancelled, which could adversely affect our revenue.

The products and the networks we deploy are highly complex, and some may contain defects when first introduced or when new versions or enhancements are released, despite testing and our quality control procedures. For example, our products may contain software “bugs” that can unexpectedly interfere with their operation. Defects may also occur in components and products that we purchase from third parties. In addition, many of our products and network services are designed to interface with our customers’ existing networks, each of which has different specifications and utilize multiple protocol standards. Our products and services must interoperate with the other products and services within our customers’ networks, as well as with future products and services that might be added to these networks, to meet our customers’ requirements. There can be no assurance that we will be able to detect and fix all defects in the products and networks we sell. The occurrence of any defects, errors or failures in our products or network services could result in: (i) additional costs to correct such defects; (ii) cancellation of orders and lost revenue; (iii) a reduction in revenue backlog; (iv) product returns or recalls; (v) diversion of our resources; (vi) the issuance of credits to customers and other losses to us, our customers or end-users; (vii) liability for harm to persons and property caused by defects in or failures of our products or services; and (viii) harm to our reputation if we fail to detect or effectively address such issues through design, testing or warranty repairs. Any of these occurrences could also result in the loss of or delay in market acceptance of our products and services and loss of sales, which would harm our reputation and our business and materially adversely affect our revenue and profitability.

RISKS RELATED TO THE REGULATION OF OUR BUSINESS

Our business is subject to risks of adverse government regulation.

Our business is subject to varying degrees of regulation in the U.S. by the FCC, and other federal, state and local entities, and in foreign countries by similar entities and internationally by the ITU. These regulations are subject to the administrative and political process and do change, for political and other reasons, from time to time and may limit or constrain and/or have other adverse effects on and implications for our business and operations. The United States and foreign countries in which we currently, or may in the future, operate may not authorize us access to all of the spectrum that we need to provide service in a particular country. Moreover, the U.S. and a substantial number of foreign countries in which we have, or may in the future make, an investment, regulate, in varying degrees, the ownership of satellites and other telecommunication facilities/networks and foreign investment in telecommunications companies. Violations of laws or regulations may result in various sanctions including fines, loss of authorizations and the denial of applications for new authorizations or for the renewal of existing authorizations. Further material changes in law and regulatory requirements may also occur, and there can be no assurance that our business and the business of our subsidiaries and affiliates will not be adversely affected by future legislation, new regulation or deregulation. The failure to obtain or comply with the authorizations and regulations governing our operations could have a material adverse effect on our ability to generate revenue and our overall competitive position and could result in our suffering serious harm to our reputation.

Our business depends on regulatory authorizations issued by the FCC and state and foreign regulators that can expire, be revoked or modified, and applications for licenses and other authorizations that may not be granted.

Generally all satellite, earth stations and other licenses granted by the FCC and most other countries are subject to expiration unless renewed by the regulatory agency. Our satellite licenses are currently set to expire at various times. In addition, we occasionally receive special temporary authorizations that are granted for limited periods of time (e.g., 180 days or less) and subject to possible renewal. Generally, our licenses and special temporary authorizations have been renewed on a routine basis, but there can be no assurance that this will continue. In addition, we must obtain new licenses from the FCC and other countries’ regulators for the operation of new satellites that we may build and/or acquire. There can be no assurance that the FCC or other regulators will continue granting applications for new licenses or for the renewal of existing ones. If the FCC or other regulators were to cancel, revoke, suspend, or fail to renew any of our licenses or authorizations, or fail to grant our applications for FCC or other licenses, it could have a material adverse effect on our business, financial condition and results of operations. Specifically, loss of a frequency authorization or limitations on our ability to use the frequencies we currently use and/or intend to use in the future would reduce the amount of spectrum available to us, potentially reducing the amount of services we provide to our customers. The significance of such a loss of authorizations would vary based upon, among other things, the orbital location, the frequency band and the availability of replacement spectrum. In addition, the legislative and executive branches of the U.S. government and foreign governments often consider legislation and regulatory requirements that

could affect us, as could the actions that the FCC and foreign regulatory bodies take. We cannot predict the outcomes of these legislative or regulatory proceedings or their effect on our business.

In addition, third parties have or may oppose some of our license applications and pending and future requests for extensions, modifications, waivers and approvals of our licenses. Even if we have fully complied with all of the required reporting, filing and other requirements in connection with our authorizations, it is possible a regulator could decline to grant certain of our applications or requests for authority, or could revoke, terminate, condition or decline to modify, extend or renew certain of our authorizations or licenses.

We may face difficulties in accurately assessing and collecting contributions towards the Universal Service Fund.

Because our customer contracts often include both telecommunications services, which create obligations to contribute to the USF, and other goods and services, which do not, it can be difficult to determine what portion of our revenue forms the basis for our required contribution to the USF and the amount that we can recover from our customers. If the FCC, which oversees the USF, or a court or other governmental entity were to determine that we computed our USF contribution obligation incorrectly or passed the wrong amount onto our customers, we could become subject to additional assessments, liabilities, or other financial penalties. In addition, the FCC is considering substantial changes to its USF contribution and distribution rules. These changes could impact our future contribution obligations and those of third parties that provide communication services to our business. Any such change to the USF contribution rules could adversely affect our costs of providing service to our customers. In addition, changes to the USF distribution rules could intensify the competition we face by offering subsidies to competing firms and/or technologies.

Restrictions on immigration or increased enforcement of immigration laws could limit our access to qualified and skilled professionals, increase our cost of doing business or otherwise disrupt our operations.

The success of our business is dependent on our ability to recruit engineers and other professionals. Immigration laws in the countries in which we operate are subject to legislative changes, as well as variations in the standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigration laws, or the restrictive impact they could have on obtaining or renewing work visas for our professionals. If immigration laws are changed or if new more restrictive government regulations are enacted or increased, our access to qualified and skilled professionals may be limited, the costs of doing business may increase and our operations may be disrupted.

RISKS RELATED TO THE SHARE EXCHANGE

We might not be able to engage in certain strategic transactions because we have agreed to certain restrictions to comply with U.S. federal income tax requirements for a tax-free split-off.

To preserve the intended tax-free treatment of the Share Exchange we must comply with certain restrictions under current U.S. federal income tax laws for split-offs, including (i) refraining from engaging in certain transactions that would result in a fifty percent or greater change by vote or by value in our stock ownership, (ii) continuing to own and manage our historic businesses, and (iii) limiting sales or redemptions of our and our subsidiary Hughes Satellite Systems Corporation's common stock. If these restrictions, among others, are not followed, the Share Exchange could be taxable to us and possibly our stockholders. In addition, we could be required to indemnify DISH Network for any tax liability incurred by DISH Network as a result of our non-compliance with these restrictions.

OTHER RISKS

We are controlled by one principal stockholder who is our Chairman.

Charles W. Ergen, our Chairman, beneficially owns approximately 45.9% of our total equity securities (assuming conversion of only the Class B common stock beneficially owned by Mr. Ergen into Class A common stock and giving effect to the exercise of options held by Mr. Ergen that are either currently exercisable or may become exercisable within 60 days of February 12, 2018) and beneficially owns approximately 72.4% of the total voting power of all classes of shares (assuming no conversion of any Class B common stock and giving effect to the exercise of options held by Mr. Ergen that are either currently exercisable or may become exercisable within 60 days of February 12, 2018). Mr. Ergen's beneficial ownership excludes 1,640 shares of our Class A common stock and 9,777,751 shares of our Class A common stock issuable upon conversion of shares of our Class B common stock, in each case, currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts beneficially own approximately 16.9% of our total equity securities (assuming conversion of only the Class B common stock

held by such trusts into Class A common stock) and beneficially own approximately 18.6% of the total voting power of all classes of shares (assuming no conversion of any Class B common stock). Through his beneficial ownership of our equity securities, Mr. Ergen has the ability to elect a majority of our directors and to control all other matters requiring the approval of our stockholders. As a result of Mr. Ergen's voting power, we are a "controlled company" as defined in the Nasdaq listing rules and, therefore, are not subject to Nasdaq requirements that would otherwise require us to have (i) a majority of independent directors; (ii) a nominating committee composed solely of independent directors; (iii) compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; (iv) a compensation committee charter which provides the compensation committee with the authority and funding to retain compensation consultants and other advisors and/or (v) director nominees selected, or recommended for the Board's selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

We have potential conflicts of interest with DISH Network due to our common ownership.

Questions relating to conflicts of interest may arise between DISH Network and us in a number of areas relating to our past and ongoing relationships. Areas in which conflicts of interest between DISH Network and us could arise include, but are not limited to, the following:

- **Cross directorships and stock ownership.** We have certain overlap in our directors and Chairman position with DISH Network, which may lead to conflicting interests. Our board of directors includes persons who are members of the board of directors of DISH Network, including Charles W. Ergen, who serves as the Chairman of and is employed by both companies. Our Chairman and the other members of our board of directors who overlap with DISH Network also have fiduciary duties to DISH Network's shareholders. Therefore, these individuals may have actual or apparent conflicts of interest with respect to matters involving or affecting each company. For example, there is potential for a conflict of interest when we or DISH Network look at acquisitions and other corporate opportunities that may be suitable for both companies. In addition, many of our directors and officers own DISH Network stock and options to purchase DISH Network stock, certain of which they acquired or were granted prior to the Spin-off, including Mr. Ergen. These ownership interests could create actual, apparent or potential conflicts of interest when these individuals are faced with decisions that could have different implications for our company and DISH Network.
- **Intercompany agreements with DISH Network.** We have entered into various agreements with DISH Network. Pursuant to certain agreements, we obtain certain products, services and rights from DISH Network; DISH Network obtains certain products, services and rights from us; and we and DISH Network indemnify each other against certain liabilities arising from our respective businesses. Generally, the amounts we or DISH Network pay for products and services provided under the agreements are based on cost plus a fixed margin, which varies depending on the nature of the products and services provided. Certain other intercompany agreements cover matters such as tax sharing and our responsibility for certain liabilities previously undertaken by DISH Network for certain of our businesses. We have also entered into certain commercial agreements with DISH Network. The terms of certain of these agreements were established while we were a wholly-owned subsidiary of DISH Network and were not the result of arm's length negotiations. The allocation of assets, liabilities, rights, indemnifications and other obligations between DISH Network and us under the separation and ancillary agreements we entered into with DISH Network in connection with the Spin-Off and the Share Exchange did not necessarily reflect what two unaffiliated parties might have agreed to. Had these agreements been negotiated with unaffiliated third parties, their terms may have been more favorable, or less favorable, to us. In addition, DISH Network or its affiliates will likely continue to enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any such transactions will be established based upon negotiations between DISH Network and us and, when appropriate, subject to approval by the non-interlocking directors or in certain instances non-interlocking management, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as may otherwise be obtained in negotiations between unaffiliated third parties.
- **Competition for business opportunities.** DISH Network may have interests in various companies that have subsidiaries or controlled affiliates that own or operate domestic or foreign services that may compete with services offered by our businesses. DISH Network also has a distribution agreement with ViaSat, a competitor of our Hughes segment, to sell services similar to those offered by our Hughes segment. We may also compete with DISH Network when we participate in auctions for spectrum or orbital slots for our satellites.

We may not be able to resolve any potential conflicts of interest with DISH Network and, even if we do so, the resolution may be less favorable to us than if we were dealing with an unaffiliated party.

We do not have any agreements not to compete with DISH Network. However, many of our potential customers who compete with DISH Network have historically perceived us as a competitor due to our affiliation with DISH Network. There can be no assurance that we will be successful in entering into any commercial relationships with potential customers who are competitors of DISH Network (particularly if we continue to be perceived as affiliated with DISH Network as a result of common ownership, certain shared management services and other arrangements with DISH Network).

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders, because of our capital structure.

Certain provisions of our articles of incorporation and bylaws may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- a capital structure with multiple classes of common stock: a Class A that entitles the holders to one vote per share; a Class B that entitles the holders to ten votes per share; a Class C that entitles the holders to one vote per share, except upon a change in control of our company in which case the holders of Class C are entitled to ten votes per share; and a non-voting Class D;
- a provision that authorizes the issuance of “blank check” preferred stock, which could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- a provision limiting who may call special meetings of shareholders; and
- a provision establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

In addition, Charles W. Ergen, our Chairman, beneficially owns approximately 45.9% of our total equity securities (assuming conversion of only the Class B common stock beneficially owned by Mr. Ergen into Class A common stock and giving effect to the exercise of options held by Mr. Ergen that are either currently exercisable or may become exercisable within 60 days of February 12, 2018) and beneficially owns approximately 72.4% of the total voting power of all classes of shares (assuming no conversion of any Class B common stock and giving effect to the exercise of options held by Mr. Ergen that are either currently exercisable or may become exercisable within 60 days of February 12, 2018). Through his beneficial ownership of our equity securities, Mr. Ergen has the power to elect all of our directors and control shareholder decision on matters on which all classes of our common stock vote together.

In addition, pursuant to our articles of incorporation we have a significant amount of authorized and unissued stock that would allow our board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us.

Our articles of incorporation designate the Eighth Judicial District Court of Clark County of the State of Nevada as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our articles of incorporation provide that, unless we consent in writing to an alternative forum, the Eighth Judicial District Court of Clark County of the State of Nevada will be the sole and exclusive forum for any and all actions, suits or proceedings, whether civil, administrative or investigative or that asserts any claim or counterclaim brought in our name or on our behalf, asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, arising or asserting a claim arising pursuant to any provision of the Nevada Restated Statutes Chapters 78 or 92A, our articles of incorporation or our bylaws, interpreting, applying, enforcing or determining the validity of our articles of incorporation or bylaws or asserting a claim that is governed by the internal affairs doctrine. Any person purchasing or otherwise acquiring any interest in any shares of our capital stock shall be deemed to have notice of and to have consented to this provision of our articles of incorporation. This choice of forum provision may limit our stockholders’ ability to bring certain claims, including claims against our directors, officers or employees, in a judicial forum that the stockholder finds favorable and therefore the choice of forum provision may discourage lawsuits with respect to such claims. Stockholders who do bring a claim in the Eighth Judicial District Court of Clark County could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Nevada. The Eighth Judicial District Court of Clark County may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. Alternatively, if a court were to find this provision of our articles of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs

associated with resolving such matters in other jurisdictions, which could have a material adverse effect on our business, financial condition or results of operations.

Changes in United States Generally Accepted Accounting Principles (“GAAP”) could adversely affect our reported financial results and may require significant changes to our internal accounting systems and processes.

We prepare our consolidated financial statements in conformity with GAAP. These principles are subject to interpretation by the Financial Accounting Standards Board (“FASB”), the SEC and various bodies formed to interpret and create appropriate accounting principles and guidance.

The FASB is currently working together with the International Accounting Standards Board to converge certain accounting principles and facilitate more comparable financial reporting between companies that are required to follow GAAP and those that are required to follow International Financial Reporting Standards. In connection with this initiative, the FASB issued new accounting standards for revenue recognition and accounting for leases. For information regarding new accounting standards, please refer to Note 2 in the notes to consolidated financial statements in Item 15 of this report under the heading “New Accounting Pronouncements.” These and other such standards may result in different accounting principles, which may significantly impact our reported results or could result in volatility of our financial results. In addition, we may need to significantly change our customer and vendor contracts, accounting systems and processes. The cost and effect of these changes may adversely impact our results of operations.

We may face other risks described from time to time in periodic and current reports we file with the SEC.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our principal executive offices are located at 100 Inverness Terrace East, Englewood, Colorado 80112-5308 and our telephone number is (303) 706-4000. The following table sets forth certain information concerning our principal properties related to our Hughes segment (“Hughes”) and EchoStar Satellite Services segment (“ESS”) and to our other operations and administrative functions (“Other”) as of December 31, 2017. We operate various facilities in the U.S. and abroad. We believe that our facilities are well maintained and are sufficient to meet our current and projected needs.

Location (3)(4)	Segment(s)	Leased/ Owned	Function
San Diego, California	Hughes	Leased	Engineering and sales offices
Englewood, Colorado (1)(4)	Hughes	Leased	Gateways
Gaithersburg, Maryland	Hughes	Leased	Manufacturing and testing facilities, engineering and logistics and administrative offices
Southfield, Michigan (1)	Hughes	Leased	Shared hub and regional network management center
Las Vegas, Nevada (1)	Hughes	Leased	Shared hub, antennae yards, gateway, backup network operation and control center for Hughes corporate headquarters
American Fork, Utah	Hughes	Leased	Office space, engineering offices
Sao Paulo, Brazil	Hughes	Leased	Hughes Brazil corporate headquarters, sales offices, and warehouse
Bangalore, India (2)	Hughes	Leased	Engineering office and office space
Gurgaon, India (1)(2)	Hughes	Leased	Administrative offices, shared hub, operations, warehouse, and development center
New Delhi, India	Hughes	Leased	Hughes India corporate headquarters
Milton Keynes, United Kingdom (3)	Hughes	Leased	Hughes Europe corporate headquarters and operations
Germantown, Maryland (1)	Hughes	Owned	Hughes corporate headquarters, engineering offices, network operations and shared hubs
Griesheim, Germany (1)	Hughes	Owned	Shared hub, operations, administrative offices and warehouse
Cheyenne, Wyoming (1)	Hughes/ESS	Leased	Spacecraft operations center, satellite access center and gateway
Gilbert, Arizona (1)	Hughes/ESS	Leased	Spacecraft operations center, satellite access center and gateway
Barueri, Brazil (1)	Hughes/ESS	Leased	Shared hub, warehouse, operations center and spacecraft operations center
Black Hawk, South Dakota (1)	ESS	Owned	Spacecraft auto-track operations center
Englewood, Colorado	ESS/Other	Owned	Corporate headquarters, engineering offices
Campinas, Brazil	Other	Leased	Uplink facility
Cheyenne, Wyoming	Other	Owned	Data Center

(1) We perform network services and customer support functions 24 hours a day, 365 days a year at these locations.

(2) These properties are used by subsidiaries that are less than wholly-owned by the Company.

(3) We also have multiple gateways throughout the EU that support the EchoStar XXI satellite.

(4) We have multiple gateways throughout the Western part of the U.S., Mexico and Canada that support the SPACEWAY 3, EchoStar XVII, and EchoStar XIX satellites.

Item 3. LEGAL PROCEEDINGS

For a discussion of legal proceedings, see Note 16 in the notes to consolidated financial statements in Item 15 of this report.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**Market Price of and Dividends on the Registrant’s Common Equity and Related Stockholder Matters**

Market Information. Our Class A common stock is quoted on the Nasdaq Global Select Market (“Nasdaq”) under the symbol “SATS.” The high and low closing sale prices of our Class A common stock during 2017 and 2016 on Nasdaq (as reported by Nasdaq) are set forth below.

	2017	High	Low
First Quarter	\$	56.95	\$ 50.92
Second Quarter	\$	62.25	\$ 55.41
Third Quarter	\$	61.49	\$ 56.13
Fourth Quarter	\$	60.65	\$ 52.48
	2016	High	Low
First Quarter	\$	45.89	\$ 33.39
Second Quarter	\$	43.94	\$ 37.25
Third Quarter	\$	43.83	\$ 36.91
Fourth Quarter	\$	53.35	\$ 43.60

Holders. As of February 12, 2018, there were approximately 8,440 holders of record of our Class A common stock, not including stockholders who beneficially own Class A common stock held in nominee or street name. As of February 12, 2018, there were 47,687,039 shares outstanding of our Class B common stock of which: (i) 22,309,288 shares were held by Charles W. Ergen, our Chairman, (ii) 15,600,000 shares were held in trusts established for the benefit of Mr. Ergen’s family, with Mr. Ergen’s spouse, Cantey Ergen, serving as trustee, (iii) and the remaining 9,777,751 shares were held in other trusts established for the benefit of Mr. Ergen’s family. There is currently no established trading market for our Class B common stock.

Dividends. We have not paid any cash dividends on our common stock in the past two years. We currently do not intend to declare dividends on our common stock. Payment of any future dividends will depend upon our earnings, capital requirements, contractual restrictions and other factors the board of directors considers appropriate. We currently intend to retain our earnings, if any, to support future growth and expansion although we may repurchase shares of our common stock from time to time. Our ability to declare dividends is affected by covenants in HSS’ indentures. See further discussion under Item 7. — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources in this Annual Report on Form 10-K.

Securities Authorized for Issuance Under Equity Compensation Plans. See Item 12. — Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters in this Annual Report on Form 10-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Pursuant to a stock repurchase program approved by our board of directors, we are authorized to repurchase up to \$500.0 million of our outstanding shares of Class A common stock through December 31, 2018. During the years ended December 31, 2017, 2016 and 2015, we did not repurchase any common stock under this program.

Item 6. SELECTED FINANCIAL DATA

The accompanying consolidated financial statements for 2017 included in our consolidated financial statements in Item 15 of this report have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). Certain prior period amounts have been adjusted to conform to the current period presentation.

The following tables present selected information relating to our consolidated financial condition and results of operations for the past five years. The selected financial data should be read in conjunction with our consolidated financial statements and related notes thereto, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report. Historical financial data presented below may not be indicative of future financial condition. See Notes 1, 3 and 19 in the notes to consolidated financial statements in Item 15 of this report for further discussion of the Share Exchange transaction.

Statements of Operations Data:	For the Years Ended December 31,				
	2017(1)	2016	2015	2014 (2)	2013 (2)
	(In thousands, except per share amounts)				
Total revenue (3)	\$ 1,885,508	\$ 1,810,466	\$ 1,848,857	\$ 1,822,238	\$ 1,556,275
Total costs and expenses (3)	1,689,201	1,514,303	1,575,092	1,611,678	1,544,986
Operating income (3)	\$ 196,307	\$ 296,163	\$ 273,765	\$ 210,560	\$ 11,289
Net income (loss) from continuing operations to EchoStar common stock	\$ 385,261	\$ 137,353	\$ 102,421	\$ 73,151	\$ (52,987)
Basic earnings (loss) per share - continuing operations	\$ 4.04	\$ 1.46	\$ 1.11	\$ 0.80	\$ (0.59)
Diluted earnings (loss) per share - continuing operations	\$ 3.98	\$ 1.45	\$ 1.10	\$ 0.79	\$ (0.58)

Balance Sheet Data:	As of December 31,				
	2017(1)	2016	2015	2014 (2)	2013 (2)
	(In thousands)				
Cash, cash equivalents and current marketable securities	\$ 3,245,617	\$ 3,092,881	\$ 1,527,883	\$ 1,669,590	\$ 1,554,174
Total assets (4)	\$ 8,750,014	\$ 9,008,859	\$ 6,572,463	\$ 6,601,292	\$ 5,943,007
Total debt and capital lease obligations	\$ 3,634,844	\$ 3,655,447	\$ 2,185,272	\$ 2,326,143	\$ 2,374,088
Total stockholders’ equity	\$ 4,177,385	\$ 4,006,805	\$ 3,781,642	\$ 3,623,638	\$ 3,226,231

Cash Flow Data:	For the Years Ended December 31,				
	2017	2016	2015	2014 (2)	2013 (2)
	(In thousands)				
Net cash flows from:					
Operating activities	\$ 726,892	\$ 803,343	\$ 776,451	\$ 840,131	\$ 450,507
Investing activities	\$ (868,002)	\$ (632,267)	\$ (275,311)	\$ (887,590)	\$ (570,289)
Financing activities	\$ 72	\$ 1,475,689	\$ (120,257)	\$ (35,096)	\$ 18,326

- (1) The 2017 Tax Act increased the complexity of our income tax accounting and resulted in significant adjustments to our deferred income tax accounts in 2017. As a result, our results of operations and balance sheet data for the years ended December 31, 2017 are not comparable to our results of operations for the years ended December 31, 2016, 2015, 2014, and 2013. See Note 12 to our consolidated financial statements in Item 15 of this report for further information.
- (2) In March 2014, we issued preferred tracking stock to DISH Network in exchange for five satellites and \$11.4 million in cash. Please see Note 19 in the notes to consolidated financial statements in Item 15 of this report. As a result, our results of operations and balance sheet data for the years ended December 31, 2017, 2016, 2015 and 2014 are not comparable to our results of operations for the year ended December 31, 2013.
- (3) As a result of the Share Exchange, the consolidated financial statements of the EchoStar Technologies businesses have been presented as discontinued operations and, as such, have been excluded from the selected financial data presented above for all periods presented. See Note 3 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our discontinued operations.
- (4) In 2015, we prospectively adopted Accounting Standard Update No. 2015-17, Balance Sheet Classification of Deferred Taxes. As a result, our total assets as of December 31, 2017, 2016 and 2015 is not comparable to our total assets as reported in prior years.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

EXECUTIVE SUMMARY

EchoStar is a global provider of satellite service operations, video delivery solutions, broadband satellite technologies and broadband internet services for home and small office customers. We also deliver innovative network technologies, managed services, and various communications solutions for aeronautical, enterprise and government customers.

Prior to March 2017, we operated in three primary business segments, Hughes, EchoStar Technologies and EchoStar Satellite Services ("ESS"). On January 31, 2017, we and certain of our subsidiaries entered into a Share Exchange Agreement (the "Share Exchange Agreement") with DISH Network Corporation ("DISH") and certain of its subsidiaries. Pursuant to the Share Exchange Agreement, on February 28, 2017, among other things, we and certain of our subsidiaries received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets (collectively, the "Share Exchange"). Our former EchoStar Technologies businesses designed, developed and distributed secure end-to-end video technology solutions including digital set-top boxes and related products and technology, primarily for satellite TV service providers and telecommunication companies and provided digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management, and other services. Following consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated and are of no further effect. As a result of the Share Exchange, the consolidated financial statements of the EchoStar Technologies businesses have been presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. See Note 3 in the notes to consolidated financial statements in Item 15 of this report for further discussion of our discontinued operations.

As a consequence, we currently operate in two business segments, which are differentiated primarily by their operational focus: Hughes and ESS. These segments are consistent with the way decisions regarding the allocation of resources are made, as well as how operating results are reviewed by our chief operating decision maker ("CODM"), who for EchoStar is the Company's Chief Executive Officer.

In addition, as of March 2017, we also changed our overhead allocation methodology used in our segment disclosures to reflect how the CODM evaluates our segments. Historically, the costs of all corporate functions were included on an allocated basis in each of the business segments' EBITDA. Under the revised allocation methodology, these costs are now reported and analyzed as part of "Corporate and Other" (previously "All Other and Eliminations"). Our prior period segment EBITDA disclosures have been restated to reflect this change.

Our operations also include various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments. These activities are accounted for in "Corporate and Other."

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Highlights from our financial results are as follows:

Consolidated Results of Operations for the Year Ended December 31, 2017

- Revenue of \$1.89 billion
- Operating income of \$196.3 million
- Net income from continuing operations of \$385.0 million
- Net income attributable to EchoStar common stock of \$393.8 million and basic earnings per share of common stock of \$4.13
- EBITDA of \$794.6 million (see reconciliation of this non-GAAP measure on page 45)

Consolidated Financial Condition as of December 31, 2017

- Total assets of \$8.75 billion
- Total liabilities of \$4.57 billion
- Total stockholders’ equity of \$4.18 billion
- Cash, cash equivalents and current marketable investment securities of \$3.25 billion

Hughes Segment

Our Hughes segment is a global provider of broadband satellite technologies and broadband internet services to domestic and international home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to domestic and international consumers and aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment provides satellite ground segment systems and terminals to mobile system operators.

We continue to focus our efforts on growing our consumer revenue by maximizing utilization of our existing satellites while planning for new satellites to be launched. Our consumer revenue growth depends on our success in adding new and retaining existing subscribers in our domestic and international markets across our wholesale and retail channels. The growth of our enterprise, including aeronautical, businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies. Service costs related to ongoing support for our direct and indirect customers and partners are typically impacted most significantly by our growth.

Our Hughes segment currently uses capacity from our three satellites (the SPACEWAY 3 satellite, the EchoStar XVII satellite, and the EchoStar XIX satellite) and additional satellite capacity acquired from multiple third-party providers to provide services to our customers. Launched in December 2016, our EchoStar XIX satellite is a next-generation, high throughput geostationary satellite employing a multi-spot beam, bent pipe Ka-band architecture. It has provided and we expect it to continue to provide significant capacity for consumer subscriber growth, capacity for the Hughes broadband services to our customers in North America, capacity in certain Central and South American countries and capability for aeronautical and domestic and international enterprise broadband services.

In August 2017, we entered into a contract for the design and construction of a new, next-generation, high throughput geostationary satellite, with a planned 2021 launch, that is primarily intended to provide additional capacity for our HughesNet service in North, Central and South America as well as aeronautical and enterprise services. Capital expenditures associated with the construction and launch of this satellite is included in “Corporate and Other” in our segment reporting.

In March 2017, our wholly-owned subsidiary, Hughes Network Systems, L.L.C., and DISH Network L.L.C. (“DNLLC”), a wholly-owned subsidiary of DISH, entered into a master service agreement (the “MSA”) pursuant to which DNLLC, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for the Hughes satellite internet service and related equipment and other telecommunication services and (ii) will install Hughes service equipment with respect to activations generated by DNLLC. As a result of the MSA, we have not earned and do not expect to earn significant equipment revenue from our Distribution Agreement with dishNET Satellite Broadband L.L.C. (“dishNET”), a wholly-owned subsidiary of DISH, in the future.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Our Hughes segment also delivers broadband network technologies, managed services, equipment, hardware, satellite services and communications solutions to domestic and international customers and aeronautical, enterprise and government customers. Most of our enterprise customers have contracts with us for the services they purchase.

Developments toward the launch of next-generation satellite systems including low-earth orbit ("LEO"), medium-earth orbit ("MEO") and geostationary systems could provide additional opportunities to drive the demand for our equipment, hardware, technology and services. We have an agreement with WorldVu Satellites Limited ("OneWeb"), a global LEO satellite service company, to provide certain equipment and services in connection with the ground network system for OneWeb's LEO satellites. In November 2017, we began the production of OneWeb's ground network system equipment and expect to begin delivering this equipment in the second half of 2018.

We continue to expand our efforts to grow our consumer satellite services business outside of the U.S. In April 2014, we entered into a satellite services agreement pursuant to which Eutelsat do Brasil provides us Ka-band capacity into Brazil on the EUTELSAT 65 West A satellite for a 15-year term. That satellite was launched in March 2016 and we began delivering high-speed consumer satellite broadband services in Brazil in July 2016. In September 2015, we entered into satellite services agreements pursuant to which affiliates of Telesat Canada ("Telesat") will provide to us the Ka-band capacity on a satellite to be located at the 63 degree west longitude orbital location ("63 West") for a 15-year term. We expect the satellite to be launched in the second quarter of 2018 and to augment the capacity being provided by the EUTELSAT 65 West A and EchoStar XIX satellites in Central and South America. We launched our consumer satellite broadband service in Colombia in the third quarter of 2017 and we expect to launch similar services in various other Central and South American countries in 2018.

As of December 31, 2017, 2016 and 2015, our Hughes segment had approximately 1,208,000, 1,036,000 and 1,035,000 broadband subscribers, respectively. These broadband subscribers include customers that subscribe to our HughesNet broadband services in the U.S. and South America through retail, wholesale and small/medium enterprise service channels. Gross subscriber additions, including small/medium enterprise, increased by approximately 7,300 in the fourth quarter of 2017 compared to the third quarter of 2017 primarily due to an increase in new additions in our domestic retail channel as a result of our marketing efforts. Our average monthly subscriber churn percentage for the fourth quarter of 2017 decreased compared to the third quarter of 2017. As a result of higher gross subscriber additions and lower churn, total net subscriber additions, including small/medium enterprise, were approximately 68,000 for the quarter ended December 31, 2017 compared to approximately 55,000 for the third quarter of 2017.

As of December 31, 2017 and 2016, our Hughes segment had approximately \$1.62 billion and \$1.52 billion, respectively, of contracted revenue backlog. We define Hughes contracted revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market. The increase in contracted revenue backlog is primarily due to an increase in customer contracts from our international markets. Of the total contracted revenue backlog as of December 31, 2017, we expect to recognize approximately \$424.7 million of revenue in 2018.

EchoStar Satellite Services Segment

Our ESS segment is a global provider of satellite service operations and video delivery solutions. We operate our business using our owned and leased in-orbit satellites and related licenses. Revenue growth in our ESS segment depends largely on our ability to continuously make satellite capacity available for sale. We provide satellite service operations and video delivery solutions on a full-time and occasional-use basis primarily to DISH Network Corporation and its subsidiaries ("DISH Network"), Dish Mexico, S. de R.L. de C.V., a joint venture we entered into in 2008 ("Dish Mexico"), United States ("U.S.") government service providers, internet service providers, broadcast news organizations, programmers, and private enterprise customers. We also manage satellite operations for certain satellites owned by DISH Network.

We depend on DISH Network for a significant portion of the revenue for our ESS segment, and we expect that DISH Network will continue to be the primary source of revenue for our ESS segment. Therefore, the results of operations of our ESS segment are linked to changes in DISH Network's satellite capacity requirements. DISH Network's capacity requirements have been driven by the addition of new channels and migration of programming to high-definition TV and video on demand services. The services that we provide to DISH Network are critical to its nationwide delivery of content to its customers across the U.S. While we expect to continue to provide satellite services to DISH Network, its satellite capacity requirements may change for a

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

variety of reasons, including its ability to construct and launch its own satellites. Any termination or reduction in the services we provide to DISH Network may cause us to have unused capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this business. The agreement with DISH Network for satellite services relative to the EchoStar VII satellite expires in June 2018. DISH Network has not renewed the agreement past such date which may have a significant impact on our operating results in the future.

In August 2014, we entered into: (i) a contract with Airbus Defence and Space SAS for the construction of the EchoStar 105/SES-11 satellite with C-, Ku- and Ka-band payloads; (ii) an agreement with SES Satellite Leasing Limited for the procurement of the related launch services; and (iii) an agreement with SES Americom Inc. (“SES”) pursuant to which we transferred the title to the payloads to two affiliates of SES. We retained the right to use the entire Ku-band payload on the satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. The EchoStar 105/SES-11 satellite was launched in October 2017 and placed into service in November 2017 at the 105 degree west longitude orbital location. Our Ku-band payload on the EchoStar 105/SES-11 satellite replaces and augments the capacity we had on the AMC-15 satellite, resulting in additional sales capacity. We transferred activities from the AMC-15 satellite to the EchoStar 105/SES-11 satellite in the fourth quarter of 2017.

We are pursuing expanding our business offerings by providing value added services such as telemetry, tracking, and control services to third parties, which leverage the ground monitoring networks and personnel currently within our ESS segment.

At each of December 31, 2017 and 2016, our ESS segment had contracted revenue backlog attributable to satellites currently in orbit of approximately \$1.16 billion. The decrease is primarily driven by the fixed-term nature of the satellite services agreements with DISH Network. Of the total contracted revenue backlog as of December 31, 2017, we expect to recognize approximately \$332.9 million of revenue in 2018.

New Business Opportunities

Our industry continues to evolve with the increasing worldwide demand for broadband internet access for information, entertainment and commerce. In addition to fiber and wireless systems, other technologies such as geostationary high throughput satellites, LEO networks, balloons, and High Altitude Platform Systems are playing significant roles in enabling global broadband access, networks and services. We intend to use our expertise, technologies, capital, investments, global presence, relationships and other capabilities to continue to provide broadband internet systems, equipment, networks and services for information, entertainment and commerce in North America and internationally for consumers as well as aeronautical, enterprise and government customers.

We are tracking closely the developments in next-generation satellite businesses, and we are seeking to utilize our services, technologies and expertise to find new commercial opportunities for our business. In June 2015, we made an equity investment in OneWeb.

We intend to continue to selectively explore opportunities to pursue investments, commercial alliances, partnerships, joint ventures, acquisitions and other strategic initiatives, domestically and internationally, that we believe may allow us to increase our existing market share, expand into new markets and new customers, broaden our portfolio of services, products and intellectual property, and strengthen our relationships with our customers. We may allocate significant resources for long-term initiatives that may not have a short or medium-term or any positive impact on our revenue, results of operations, or cash flow.

In 2012, we acquired the right to use various frequencies at the 45 degree west longitude orbital location (“Brazilian Authorization”) from ANATEL, the Brazilian communications regulatory agency. The Brazilian Authorization currently provides us the rights to utilize Ku-band spectrum. In April 2014, we entered into an agreement with Space Systems Loral, LLC for the construction of the EchoStar XXIII satellite, a high powered broadcast satellite service satellite. The EchoStar XXIII satellite was launched in March 2017 and placed into service at the 45 degree west longitude orbital location in the second quarter of 2017. We had regulatory obligations to meet certain in-service milestones by the second quarter of 2017 for our Brazilian license at the 45 degree west longitude orbital location for the Ka-, Ku- and S-band frequencies. We have satisfied our regulatory obligations for the Ku-band frequency. On October 5, 2017, ANATEL declined our request to extend our milestone deadlines for the S- band and Ka- band frequencies and, as a result, we do not have the right to use such frequency bands in Brazil. We may be subject to penalties as a result of our failure to meet these milestones.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

In December 2013, we acquired 100% of Solaris Mobile, which is based in Dublin, Ireland and licensed by the European Union and its member states (“EU”) to provide mobile satellite services (“MSS”) and complementary ground component (“CGC”) services covering the entire EU using S-band spectrum. Solaris Mobile changed its name to EchoStar Mobile Limited (“EchoStar Mobile”) in the first quarter of 2015. The EchoStar XXI satellite was launched in June 2017 and placed into service in November 2017. Commercial service has been available on our EchoStar XXI satellite since the fourth quarter of 2017. The EchoStar XXI satellite provides space segment capacity to EchoStar Mobile in the EU. We believe we are in a unique position to deploy a European wide MSS/CGC network and maximize the long-term value of our S-band spectrum in Europe and other regions within the scope of our licenses.

Capital expenditures associated with the construction and launch of the EchoStar XXI, EchoStar XXIII and EchoStar XXIV satellites are included in “Corporate and Other” in our segment reporting.

RESULTS OF OPERATIONS

Basis of Presentation

The following discussion and analysis of our consolidated results of operations is presented on a historical basis.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued
Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

Statements of Operations Data (1)	For the Years Ended December 31,		Variance	
	2017	2016	Amount	%
	(Dollars in thousands)			
Revenue:				
Services and other revenue - other	\$ 1,200,321	\$ 1,100,828	\$ 99,493	9.0
Services and other revenue - DISH Network	445,698	463,442	(17,744)	(3.8)
Equipment revenue - other	239,199	237,356	1,843	0.8
Equipment revenue - DISH Network	290	8,840	(8,550)	(96.7)
Total revenue	1,885,508	1,810,466	75,042	4.1
Costs and Expenses:				
Cost of sales - services and other	546,327	521,220	25,107	4.8
% of Total services and other revenue	33.2%	33.3%		
Cost of sales - equipment	212,170	203,965	8,205	4.0
% of Total equipment revenue	88.6%	82.8%		
Selling, general and administrative expenses	366,007	325,044	40,963	12.6
% of Total revenue	19.4%	18.0%		
Research and development expenses	31,745	31,170	575	1.8
% of Total revenue	1.7%	1.7%		
Depreciation and amortization	522,190	432,904	89,286	20.6
Impairment of long-lived assets	10,762	—	10,762	*
Total costs and expenses	1,689,201	1,514,303	174,898	11.5
Operating income	196,307	296,163	(99,856)	(33.7)
Other Income (Expense):				
Interest income	44,619	21,244	23,375	*
Interest expense, net of amounts capitalized	(217,240)	(123,481)	(93,759)	75.9
Gains and impairment on investments, net	53,453	9,767	43,686	*
Equity in earnings (losses) of unconsolidated affiliates, net	16,973	10,802	6,171	57.1
Other, net	6,582	2,131	4,451	*
Total other expense, net	(95,613)	(79,537)	(16,076)	20.2
Income from continuing operations before income taxes	100,694	216,626	(115,932)	(53.5)
Income tax benefit (provision), net	284,286	(80,254)	364,540	*
Net income from continuing operations	384,980	136,372	248,608	*
Net income from discontinued operations	8,509	44,320	(35,811)	(80.8)
Net income	393,489	180,692	212,797	*
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(655)	(944)	289	(30.6)
Less: Net income attributable to other noncontrolling interests	1,583	1,706	(123)	(7.2)
Net income attributable to EchoStar	\$ 392,561	\$ 179,930	\$ 212,631	*
Other Data:				
EBITDA (2)	\$ 794,577	\$ 751,005	\$ 43,572	5.8
Subscribers, end of period	1,208,000	1,036,000	172,000	16.6

* Percentage is not meaningful.

(1) An explanation of our key metrics is included on pages 61 and 62 under the heading “Explanation of Key Metrics and Other Items.”

(2) A reconciliation of EBITDA to “Net income,” the most directly comparable GAAP measure in the accompanying financial statements, is included on page 45. For further information on our use of EBITDA, see “Explanation of Key Metrics and Other Items” on page 62.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Services and other revenue — other. “Services and other revenue — other” totaled \$1.2 billion for the year ended December 31, 2017, an increase of \$99.5 million, or 9.0%, compared to the same period in 2016.

Services and other revenue — other from our Hughes segment for the year ended December 31, 2017 increased by \$109.1 million, or 10.4%, to \$1.16 billion compared to the same period in 2016. The increase was primarily attributable to increases in sales of broadband services of \$103.2 million to our domestic and international consumer customers, \$14.9 million to our domestic enterprise customers and \$4.6 million to our mobile satellite systems customers. The increase was partially offset by a decrease in sales of broadband services of \$14.4 million to our international enterprise customers.

Services and other revenue — other from our ESS segment for the year ended December 31, 2017 decreased by \$10.7 million, or 18.4%, to \$47.4 million compared to the same period in 2016. The decrease was primarily attributable to decreases in sales of transponder services due to expired service contracts.

Services and other revenue — DISH Network. “Services and other revenue — DISH Network” totaled \$445.7 million for the year ended December 31, 2017, a decrease of \$17.7 million, or 3.8%, compared to the same period in 2016.

Services and other revenue — DISH Network from our Hughes segment for the year ended December 31, 2017 decreased by \$16.1 million, or 16.4%, to \$82.3 million compared to the same period in 2016. The decrease was primarily attributable to a decrease in wholesale subscribers.

Services and other revenue — DISH Network from our ESS segment for the year ended December 31, 2017 decreased by \$4.7 million, or 1.3%, to \$344.8 million compared to the same period in 2016. The decrease was primarily attributable to the termination of the satellite services agreement with DISH Network on the EchoStar XII satellite in September 2017.

Services and other revenue — DISH Network from Corporate and Other for the year ended December 31, 2017 increased by \$3.1 million, or 20.0%, to \$18.5 million compared to the same period in 2016. The increase was primarily attributable to an increase in rental income relating to certain lease agreements pursuant to which DISH Network leases certain real estate from us.

Equipment revenue — other. “Equipment revenue — other” totaled \$239.2 million for the year ended December 31, 2017, an increase of \$1.8 million, or 0.8%, compared to the same period in 2016 primarily from our Hughes segment. The increase was mainly due to an increase of \$32.3 million in sales of broadband equipment to our domestic consumer and enterprise customers. The increase was partially offset by a decrease in sales of broadband equipment to our mobile satellite systems customers of \$16.9 million, our international enterprise customers of \$10.3 million, and our government customers of \$4.3 million.

Equipment revenue — DISH Network. “Equipment revenue — DISH Network” totaled \$0.3 million for the year ended December 31, 2017, a decrease of \$8.6 million, or 96.7%, compared to the same period in 2016 primarily from our Hughes segment. The decrease in revenue was primarily due to the decrease in unit sales of broadband equipment to dishNET as a result of the MSA. See Note 19 in the notes to consolidated financial statements in Item 15 of this report for additional information about the MSA.

Cost of sales — services and other. “Cost of sales — services and other” totaled \$546.3 million for the year ended December 31, 2017, an increase of \$25.1 million, or 4.8%, compared to the same period in 2016.

Cost of sales — services and other from our Hughes segment for the year ended December 31, 2017 increased by \$23.5 million, or 5.2%, to \$478.0 million compared to the same period in 2016. The increase was primarily attributable to an increase in the costs of broadband services provided to our domestic and international consumer customers, domestic enterprise customers, and mobile satellite systems customers primarily due to the increase in sales of broadband services.

Cost of sales — services and other from Corporate and Other for the year ended December 31, 2017 increased by \$1.2 million, or 48.2%, to \$3.8 million compared to the same period in 2016. The increase was primarily attributable

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

to an increase in expenses relating to certain lease agreements pursuant to which DISH Network leases certain real estate to us.

Cost of sales — equipment. “Cost of sales — equipment” totaled \$212.2 million for the year ended December 31, 2017, an increase of \$8.2 million, or 4.0%, compared to the same period in 2016 primarily from our Hughes segment. The increase was primarily attributable to an increase of \$26.2 million in equipment costs related to the increase in sales to our domestic consumer and enterprise customers. The increase was partially offset by a decrease of \$18.2 million in equipment costs related to the decrease in sales to dishNET, international enterprise customers and our mobile satellite systems customers.

Selling, general and administrative expenses. “Selling, general and administrative expenses” totaled \$366.0 million for the year ended December 31, 2017, an increase of \$41.0 million, or 12.6%, compared to the same period in 2016. The increase was primarily related to an increase of \$51.1 million in marketing and promotional costs primarily attributable to our domestic and international consumer broadband sales in our Hughes segment and an increase of \$2.5 million in litigation expense in 2017, partially offset by a decrease of \$12.7 million in general and administrative expenses.

Depreciation and amortization. “Depreciation and amortization” expenses totaled \$522.2 million for the year ended December 31, 2017, an increase of \$89.3 million, or 20.6%, compared to the same period in 2016. The increase was primarily related to (i) an increase of \$50.5 million in depreciation expense of the EUTELSAT 65 West A satellite placed into service in 2016 and the EchoStar XIX, EchoStar XXIII, EchoStar XXI and EchoStar 105/SES-11 satellites that were placed into service in 2017, (ii) an increase of \$32.0 million in depreciation expense relating to domestic and international customer rental equipment, (iii) an increase of \$17.3 million in depreciation expense relating to machinery and equipment, and (iv) an increase of \$9.8 million in amortization expense relating to the development of externally marketed software. The increase was partially offset by a decrease of \$13.0 million in amortization expense from certain fully amortized other intangible assets in our Hughes segment and Corporate and Other and a decrease of \$3.2 million in depreciation expense relating to the fully depreciated EchoStar VII satellite as of April 2017.

Impairment of long-lived assets. “Impairment of long-lived assets” totaled \$10.8 million for the year ended December 31, 2017, an increase of \$10.8 million, compared to the same period in 2016. The increase was primarily attributable to an impairment loss of \$6.0 million relating to our regulatory authorizations with indefinite lives from our ESS segment and a loss of \$4.8 million due to impairment of certain projects in construction in progress from Corporate & Other.

Interest income. “Interest income” totaled \$44.6 million for the year ended December 31, 2017, an increase of \$23.4 million, compared to the same period in 2016. The increase was primarily attributable to the increase in our marketable investments and an increase in yield percentage in 2017 when compared to 2016.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$217.2 million for the year ended December 31, 2017, an increase of \$93.8 million or 75.9%, compared to the same period in 2016. The increase was primarily due to an increase of \$51.0 million in interest expense relating to the issuance of 5.250% Senior Secured Notes due August 1, 2026 (the “2026 Senior Secured Notes”) and 6.625% Senior Unsecured Notes due August 1, 2026 (the “2026 Senior Unsecured Notes”) and together with the 2026 Senior Secured Notes, the “2026 Notes”) in the third quarter of 2016 and a decrease of \$42.4 million in capitalized interest relating to the EchoStar XIX and EchoStar XXIII satellites that were placed into service in the first and second quarters of 2017, respectively, and the EchoStar XXI and EchoStar 105/SES-11 satellites that were placed into service in the fourth quarter of 2017.

Gains and impairment on investments, net. “Gains and impairment on investments, net” totaled \$53.5 million in gains for the year ended December 31, 2017, an increase of \$43.7 million compared to the same period in 2016. The increase was primarily due to an increase of \$40.9 million in gains on our trading securities in 2017, a gain of \$8.9 million from the sale of one of our unconsolidated entities to an entity owned in part by DISH Network in the first quarter of 2017, partially offset by an other than temporary impairment loss of \$3.3 million on certain strategic equity securities in our marketable investment securities in 2017 and a decrease of \$2.8 million in realized gains on our securities classified as available-for-sale in 2017.

Equity in earnings (losses) of unconsolidated affiliates, net. “Equity in earnings (losses) of unconsolidated affiliates, net” totaled \$17.0 million for the year ended December 31, 2017, an increase of \$6.2 million, or 57.1%, compared to the same period in 2016. The increase was primarily related to an increase in earnings from our investment in Dish Mexico, partially offset by a decrease in earnings from our investment in Deluxe/EchoStar LLC.

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Other, net. “Other, net” totaled \$6.6 million in income for the year ended December 31, 2017, an increase of \$4.5 million compared to the same period in 2016. The increase was primarily related to dividends of \$6.1 million received from certain strategic equity investments in 2017, \$3.2 million in a protective put associated with our trading securities in 2016, and a favorable foreign exchange impact of \$1.7 million in 2017 compared to the same period in 2016, partially offset by a \$6.8 million for a provision recorded in the first half of 2015 in connection with Federal Communications Commission (“FCC”) regulatory fees, which was reversed in the first quarter of 2016.

Income tax benefit (provision), net. Income tax benefit was \$284.3 million for the year ended December 31, 2017 compared to an income tax expense of \$80.3 million for the year ended December 31, 2016. Our effective income tax rate was (282.3)% and 37.0% for the year ended December 31, 2017 and 2016, respectively. The effective tax rate for the year ended December 31, 2017 was significantly impacted by the Tax Cuts and Jobs Act of 2017 enacted in December 2017 (the “2017 Tax Act”). The 2017 Tax Act made broad and complex changes to the U.S. tax code including (i) reduction of the U.S. federal corporate income tax rate to 21% effective for years beginning after December 31, 2017, and (ii) requiring a one-time deemed repatriation tax on certain un-repatriated earnings of foreign subsidiaries that is payable over eight years. We have provisionally recorded a deferred tax benefit of \$303.5 million to reflect re-measurement of our deferred tax assets and liabilities at the new rate. We have provisionally estimated that we will have a \$0.2 million liability resulting from the one-time deemed repatriation tax. We are continuing to gather additional information related to the repatriation tax in order to determine the final impact. See Note 12 of the notes to consolidated financial statements included in Item 15 of this report for further information. Further variations in our current year effective tax rate from the U.S. federal statutory rate for the year ended December 31, 2017 were primarily due to the recognition of a one-time tax benefit for the revaluation of our deferred tax assets and liabilities due to a change in our state effective tax rate as a result of the Share Exchange, the decrease in our valuation allowance associated with unrealized gains that are capital in nature, and change in the amount of unrecognized tax benefit from uncertain tax positions. The tax benefit recognized from the change in our effective tax rate was partially offset by the increase in our valuation allowance associated with certain state and foreign losses. The variations in our effective tax rate from the U.S. federal statutory rate for the year ended December 31, 2016 were state income taxes and various permanent differences, partially offset by research and experimentation credits.

Net income attributable to EchoStar. “Net income attributable to EchoStar” was \$392.6 million for the year ended December 31, 2017, an increase of \$212.6 million, compared to the same period in 2016. The increase was primarily due to (i) an increase of \$364.5 million in income tax benefits, (ii) an increase of \$43.7 million in gains on investments, net of losses and impairments, (iii) an increase of \$23.4 million in interest income, (iv) an increase of \$6.2 million in equity in earnings of unconsolidated affiliates, net, and (v) an increase of \$4.5 million in other income. The increase was partially offset by (i) a decrease of \$99.9 million in operating income, including depreciation and amortization, (ii) an increase of \$93.8 million in interest expense, and (iii) a decrease of \$35.8 million in income from discontinued operations in 2017.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA was \$794.6 million for the year ended December 31, 2017, an increase of \$43.6 million or 5.8%, compared to the same period in 2016. The increase was primarily due to (i) an increase of \$43.7 million in gains on investments, net of losses and impairments, (ii) an increase of \$6.2 million in equity in earnings of unconsolidated affiliates, net, and (iii) an increase of \$4.5 million in other income. The increase was partially offset by a decrease of \$10.6 million in operating income, excluding depreciation and amortization. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

The following table reconciles EBITDA to Net income, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Years Ended December 31,		Variance	
	2017	2016	Amount	%
	(Dollars in thousands)			
Net income	\$ 393,489	\$ 180,692	\$ 212,797	*
Interest income and expense, net	172,621	102,237	70,384	68.8
Income tax (benefit) provision	(284,286)	80,254	(364,540)	*
Depreciation and amortization	522,190	432,904	89,286	20.6
Net income from discontinued operations	(8,509)	(44,320)	35,811	(80.8)
Net income attributable to noncontrolling interest in HSS Tracking Stock and other noncontrolling interests	(928)	(762)	(166)	21.8
EBITDA	<u>\$ 794,577</u>	<u>\$ 751,005</u>	<u>\$ 43,572</u>	<u>5.8</u>

* Percentage is not meaningful.

Segment Operating Results and Capital Expenditures
Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

	Hughes	EchoStar Satellite Services	Corporate and Other	Consolidated Total
	(In thousands)			
For the Year Ended December 31, 2017				
Total revenue	\$ 1,477,918	\$ 392,244	\$ 15,346	\$ 1,885,508
Capital expenditures	\$ 376,502	\$ 20,725	\$ 169,157	\$ 566,384
EBITDA	\$ 475,222	\$ 315,285	\$ 4,070	\$ 794,577
For the Year Ended December 31, 2016				
Total revenue	\$ 1,392,361	\$ 407,660	\$ 10,445	\$ 1,810,466
Capital expenditures	\$ 322,362	\$ 58,925	\$ 247,223	\$ 628,510
EBITDA	\$ 477,165	\$ 341,516	\$ (67,676)	\$ 751,005

Hughes Segment

	For the Years Ended December 31,		Variance	
	2017	2016	Amount	%
	(Dollars in thousands)			
Total revenue	\$ 1,477,918	\$ 1,392,361	\$ 85,557	6.1
Capital expenditures	\$ 376,502	\$ 322,362	\$ 54,140	16.8
EBITDA	\$ 475,222	\$ 477,165	\$ (1,943)	(0.4)

Revenue

Hughes segment total revenue for the year ended December 31, 2017 increased by \$85.6 million, or 6.1%, compared to the same period in 2016. The increase was primarily due to an increase of \$117.7 million in sales of broadband equipment and services to our domestic consumer and enterprise customers, an increase of \$33.1 million in sales of broadband equipment and

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

services to our international consumer customers, and an increase of \$4.6 million in sales of services to our mobile satellite systems customers. The increase was partially offset by a decrease of \$24.7 million in sales of broadband equipment and services to DISH Network, a decrease of \$24.7 million in sales of broadband equipment and services to our international enterprise customers, a decrease of \$16.9 million in sales of broadband equipment to our mobile satellite systems customers, and a decrease of \$4.3 million in sales of broadband equipment to our government customers.

Capital Expenditures

Hughes segment capital expenditures for the year ended December 31, 2017 increased by \$54.1 million, or 16.8%, compared to the same period in 2016, primarily as a result of an increase of \$134.2 million in expenditures primarily related to customer rental equipment for consumer services provided on the EUTELSAT 65 West A and EchoStar XIX satellites that were placed into service in the third quarter of 2016 and the first quarter of 2017, respectively, partially offset by a decrease of \$83.0 million in expenditures as a result of the EUTELSAT 65 West A and EchoStar XIX satellites being placed into service.

EBITDA

Hughes segment EBITDA for the year ended December 31, 2017 was \$475.2 million, a decrease of \$1.9 million, or 0.4%, compared to the same period in 2016. The decrease was primarily due to (i) an increase of \$51.1 million in marketing and promotional costs primarily attributable our domestic and international consumer broadband sales, (ii) an other than temporary impairment loss of \$3.3 million on certain strategic equity securities in our marketable investment securities in 2017, (iii) an increase of \$2.5 million in litigation expense in 2017 and (iv) an unfavorable foreign exchange impact of \$1.3 million in 2017. The decrease was partially offset by an increase of \$54.2 million in gross margin and a decrease of \$1.8 million in general and administrative expenses.

EchoStar Satellite Services Segment

	For the Years Ended December 31,		Variance	
	2017	2016	Amount	%
	(Dollars in thousands)			
Total revenue	\$ 392,244	\$ 407,660	\$ (15,416)	(3.8)
Capital expenditures	\$ 20,725	\$ 58,925	\$ (38,200)	(64.8)
EBITDA	\$ 315,285	\$ 341,516	\$ (26,231)	(7.7)

Revenue

ESS segment total revenue for the year ended December 31, 2017 decreased by \$15.4 million, or 3.8%, compared to the same period in 2016, primarily attributable to decreases in sales of transponder services due to expired service contracts and the termination of the satellite services agreement with DISH Network on the EchoStar XII satellite in September 2017.

Capital Expenditures

ESS segment capital expenditures for the year ended December 31, 2017 decreased by \$38.2 million, or 64.8%, compared to the same period in 2016, primarily related to a decrease in expenditures on the EchoStar 105/SES-11 satellite.

EBITDA

ESS segment EBITDA for the year ended December 31, 2017 was \$315.3 million, a decrease of \$26.2 million, or 7.7%, compared to the same period in 2016. The decrease in EBITDA for our ESS segment was primarily due to a decrease of \$15.7 million in gross margin, an impairment loss of \$6.0 million relating to our regulatory authorizations with indefinite lives and a decrease of \$3.8 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**Corporate and Other**

Corporate and Other is comprised of various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments.

	For the Years Ended December 31,		Variance	
	2017	2016	Amount	%
	(Dollars in thousands)			
Total revenue	\$ 15,346	\$ 10,445	\$ 4,901	46.9
Capital expenditures	\$ 169,157	\$ 247,223	\$ (78,066)	(31.6)
EBITDA	\$ 4,070	\$ (67,676)	\$ 71,746	*

* Percentage is not meaningful.

Capital Expenditures

For the year ended December 31, 2017, Corporate and Other capital expenditures decreased by \$78.1 million, or 31.6%, compared to the same period in 2016, primarily related to a decrease in satellite expenditures of \$110.0 million on the EchoStar XIX satellite, a decrease in satellite expenditures of \$41.2 million on the EchoStar XXIII satellite, and a decrease in satellite expenditures of \$33.2 million on the EchoStar XXI satellite, partially offset by an increase in satellite expenditures of \$109.8 million on the EchoStar XXIV satellite. The EchoStar XIX, EchoStar XXIII, and EchoStar XXI satellites were placed into service in 2017 and the EchoStar XIX satellite was contributed to the Hughes segment in the first quarter of 2017. The EchoStar XXIV satellite is intended to provide additional capacity for the Hughes broadband services in North America and certain Latin American countries.

EBITDA

For the year ended December 31, 2017, Corporate and Other EBITDA was \$4.1 million in income compared to \$67.7 million in loss for the same period in 2016. The change of \$71.7 million in EBITDA was primarily related to (i) an increase of \$43.2 million in gains on our trading securities in 2017, (ii) a decrease of \$12.9 million in personnel and other employee-related expenses and professional fees, (iii) a gain of \$8.9 million from the sale of one of our unconsolidated entities to an entity owned in part by DISH Network in the first quarter of 2017, (iv) dividends of \$6.1 million received from certain strategic equity investments in 2017, (v) an increase of \$6.2 million in equity in earnings of unconsolidated affiliates, net in 2017, (vi) a favorable foreign exchange impact of \$3.0 million in 2017 when compared to the same period in 2016, and (vii) an increase of \$2.9 million in rental income relating to certain lease agreements pursuant to which DISH Network leases certain real estate from us. The increase in EBITDA was partially offset by a loss of \$4.8 million due to impairment of certain projects in construction in progress and \$3.0 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued
Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

Statements of Operations Data (1)	For the Years Ended December 31,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Revenue:				
Services and other revenue - other	\$ 1,100,828	\$ 1,093,674	\$ 7,154	0.7
Services and other revenue - DISH Network	463,442	532,162	(68,720)	(12.9)
Equipment revenue - other	237,356	212,269	25,087	11.8
Equipment revenue - DISH Network	8,840	10,752	(1,912)	(17.8)
Total revenue	1,810,466	1,848,857	(38,391)	(2.1)
Costs and Expenses:				
Cost of sales - services and other	521,220	574,400	(53,180)	(9.3)
% of Total services and other revenue	33.3%	35.3%		
Cost of sales - equipment	203,965	195,360	8,605	4.4
% of Total equipment revenue	82.8%	87.6%		
Selling, general and administrative expenses	325,044	318,136	6,908	2.2
% of Total revenue	18.0%	17.2%		
Research and development expenses	31,170	26,377	4,793	18.2
% of Total revenue	1.7%	1.4%		
Depreciation and amortization	432,904	460,819	(27,915)	(6.1)
Total costs and expenses	1,514,303	1,575,092	(60,789)	(3.9)
Operating income	296,163	273,765	22,398	8.2
Other Income (Expense):				
Interest income	21,244	10,388	10,856	*
Interest expense, net of amounts capitalized	(123,481)	(121,995)	(1,486)	1.2
Gains (losses) and impairment on investments, net	9,767	(17,669)	27,436	*
Equity in earnings of unconsolidated affiliates, net	10,802	(2,477)	13,279	*
Other, net	2,131	(2,685)	4,816	*
Total other expense, net	(79,537)	(134,438)	54,901	(40.8)
Income from continuing operations before income taxes	216,626	139,327	77,299	55.5
Income tax benefit (provision), net	(80,254)	(51,235)	(29,019)	56.6
Net income from continuing operations	136,372	88,092	48,280	54.8
Net income from discontinued operations	44,320	61,279	(16,959)	(27.7)
Net income	180,692	149,371	31,321	21.0
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(944)	(5,603)	4,659	(83.2)
Less: Net income attributable to other noncontrolling interests	1,706	1,617	89	5.5
Net income attributable to EchoStar	\$ 179,930	\$ 153,357	\$ 26,573	17.3
Other Data:				
EBITDA (2)	\$ 751,005	\$ 715,739	\$ 35,266	4.9
Subscribers, end of period	1,036,000	1,035,000	1,000	0.1

* Percentage is not meaningful.

(1) An explanation of our key metrics is included on pages 61 and 62 under the heading “Explanation of Key Metrics and Other Items.”

(2) A reconciliation of EBITDA to “Net income,” the most directly comparable GAAP measure in the accompanying financial statements, is included on page 51. For further information on our use of EBITDA, see “Explanation of Key Metrics and Other Items” on page 62.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Services and other revenue — other. “Services and other revenue — other” totaled \$1.10 billion for the year ended December 31, 2016, an increase of \$7.2 million, or 0.7%, compared to the same period in 2015.

Services and other revenue — other from our Hughes segment for the year ended December 31, 2016 increased by \$16.7 million, or 1.6%, to \$1.05 billion compared to the same period in 2015. The increase was primarily attributable to an increase of \$28.6 million in sales of broadband services to our domestic consumer customers as a result of an increase in retail subscribers and the average revenue per subscriber. This increase was partially offset by a decrease of \$10.8 million of broadband services to our international enterprise customers attributable to an unfavorable foreign exchange impact and non-renewal of certain service contracts.

Services and other revenue — other from our ESS segment for the year ended December 31, 2016 decreased by \$9.0 million, or 13.4%, to \$58.1 million compared to the same period in 2015. The decrease was primarily attributable to a decrease in sales of transponder services due to a decrease in the number of transponders available for use in providing service as our lease of the AMC-16 satellite ended in February 2016.

Services and other revenue — DISH Network. “Services and other revenue — DISH Network” totaled \$463.4 million for the year ended December 31, 2016, a decrease of \$68.7 million, or 12.9%, compared to the same period in 2015.

Services and other revenue — DISH Network from our Hughes segment for the year ended December 31, 2016 increased by \$4.0 million, or 4.3%, to \$98.5 million compared to the same period in 2015. The increase was primarily attributable to an increase in the average revenue per subscriber as a result of an increase in wholesale subscribers receiving higher end service plans pursuant to our Distribution Agreement with dishNET, partially offset by a decrease in wholesale subscribers.

Services and other revenue — DISH Network from our ESS segment for the year ended December 31, 2016 decreased by \$73.9 million, or 17.5%, to \$349.6 million compared to the same period in 2015. The decrease was mainly due to a decrease of \$74.1 million in revenue as a result of the termination of the satellite services provided to DISH Network from the EchoStar I and EchoStar VIII satellites effective in November 2015.

Equipment revenue — other. “Equipment revenue — other” totaled \$237.4 million for the year ended December 31, 2016, an increase of \$25.1 million, or 11.8%, compared to the same period in 2015 primarily from our Hughes segment. The increase was mainly due to an increase of \$40.7 million in sales of broadband equipment to our domestic enterprise and government customers, partially offset by a decrease of \$14.7 million in revenue from our international and mobile satellite systems customers.

Equipment revenue — DISH Network. “Equipment revenue — DISH Network” totaled \$8.8 million for the year ended December 31, 2016, a decrease of \$1.9 million, or 17.8%, compared to the same period in 2015 primarily from our Hughes segment. The decrease in revenue was primarily due to the decrease in the unit sales of broadband equipment to dishNET.

Cost of sales — services and other. “Cost of sales — services and other” totaled \$521.2 million for the year ended December 31, 2016, a decrease of \$53.2 million, or 9.3%, compared to the same period in 2015.

Cost of sales — services and other from our Hughes segment for the year ended December 31, 2016 decreased by \$2.2 million, or 0.5%, to \$454.5 million compared to the same period in 2015. The decrease was primarily attributable to the decrease of Ku-band space segment costs as customers either terminated services or migrated to the Ka-band platform offset by the increase in service costs as a result of the increase in sales of broadband services to our domestic consumer customers.

Cost of sales — services and other from our ESS segment for the year ended December 31, 2016 decreased by \$6.0 million, or 8.6%, to \$64.2 million compared to the same period in 2015. The decrease was primarily due to a decrease in cost of sales of transponder services as a result of a decrease in the number of leased transponders available for use in providing service as our lease of the AMC-16 satellite ended in February 2016.

Cost of sales — services and other from Corporate and Other for the year ended December 31, 2016 decreased by \$44.9 million, or 94.6%, to \$2.6 million compared to the same period in 2015. The decrease was primarily due to a

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

decrease in cost of sales relating to the EchoStar XV satellite for services provided from DISH Network as a result of the termination of the satellite service agreement effective in November 2015.

Cost of sales — equipment. “Cost of sales — equipment” totaled \$204.0 million for the year ended December 31, 2016, an increase of \$8.6 million, or 4.4%, compared to the same period in 2015 primarily from our Hughes segment. The increase was primarily attributable to an increase of \$20.3 million in equipment costs related to the increase in sales volume of broadband equipment to our domestic enterprise and government customers, partially offset by a decrease of \$12.3 million in equipment costs related to the decrease in sales to our international and mobile satellite systems customers.

Selling, general and administrative expenses. “Selling, general and administrative expenses” totaled \$325.0 million for the year ended December 31, 2016, an increase of \$6.9 million, or 2.2%, compared to the same period in 2015. The increase was primarily due to an increase of \$11.2 million in other general and administrative expenses and an increase of \$3.8 million in marketing and promotional costs from our Hughes segment, offset partially by a decrease of \$8.0 million due to litigation settlements recorded in 2015.

Research and development expenses. “Research and development expenses” totaled \$31.2 million for the year ended December 31, 2016, an increase of \$4.8 million, or 18.2%, compared to the same period in 2015. Our research and development activities vary based on the activity level and scope of other engineering and customer related development contracts.

Depreciation and amortization. “Depreciation and amortization” expenses totaled \$432.9 million for the year ended December 31, 2016, a decrease of \$27.9 million, or 6.1%, compared to the same period in 2015. The decrease was primarily related to certain of our fully amortized other intangible assets in our Hughes segment and Corporate and Other and the fully depreciated EchoStar IX satellite as of October 2015 in our ESS segment.

Interest income. “Interest income” totaled \$21.2 million for the year ended December 31, 2016, an increase of \$10.9 million compared to the same period in 2015. The increase was primarily attributable to the increase in our short term investments from proceeds from the issuance of long-term debt in the third quarter of 2016 and an increase in yield percentage.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$123.5 million for the year ended December 31, 2016, an increase of \$1.5 million or 1.2%, compared to the same period in 2015. The increase was mainly attributable to an increase of \$38.1 million in interest expense relating to the issuance of the 2026 Notes in the third quarter of 2016. The increase was partially offset by an increase in capitalized interest of \$30.6 million related to the construction of the EchoStar XIX, EchoStar XXI, EchoStar XXIII, and EchoStar 105/SES-11 satellites, and payments for satellite services on the EUTELSAT 65 West A and 63 West satellites, a decrease of \$3.2 million relating to the partial redemption of the outstanding principal amount of HSS' 6 1/2 Senior Secured Notes due 2019 (the “2019 Senior Secured Notes”) in the second quarter of 2015, and a decrease of \$2.8 million in interest expense relating to the accounting impact of two of our satellites that are treated as capital leases.

Gains (losses) and impairment on investments, net. “Gains (losses) and impairment on investments, net” totaled \$9.8 million in gains for the year ended December 31, 2016 compared to \$17.7 million in losses for the year ended December 31, 2015. The change of \$27.4 million was primarily due to an other than temporary impairment loss of \$11.2 million on certain strategic equity securities in 2015, an increase of \$10.5 million in gains on our trading securities in 2016, and an increase of \$5.6 million in realized gains on our securities classified as available-for-sale in 2016.

Equity in earnings of unconsolidated affiliates, net. “Equity in earnings of unconsolidated affiliates, net” totaled \$10.8 million in earnings for the year ended December 31, 2016 compared to \$2.5 million in losses for the same period in 2015. The change of \$13.3 million was primarily related to an increase in earnings from our investment in Dish Mexico.

Other, net. “Other, net” totaled \$2.1 million in income for the year ended December 31, 2016 compared to \$2.7 million in expenses for the year ended December 31, 2015. The increase of \$4.8 million was primarily related to (i) \$13.5 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016, (ii) \$5.0 million loss was related to the partial redemption of the 2019 Senior Secured Notes in the second quarter of 2015 which included a \$3.3 million redemption premium and a \$1.7 million write off of related unamortized financing costs, and (iii) an unfavorable foreign exchange impact of \$3.6 million in 2015 from our Hughes segment. The decrease was partially offset by (i) a decrease of \$8.8 million related to a protective put associated with our trading securities in 2016 when compared to the

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

same period in 2015, (ii) a \$4.5 million non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 as a result of anomalies that previously affected the operation of these satellites, (iii) a gain of \$1.7 million on the exchange of accounts receivable for certain trading securities in the second quarter of 2015, (iv) proceeds of \$1.3 million from a domain name auction in 2015, and (v) an income of \$0.8 million in cash distributions from the indenture trustee in satisfaction of our claims related to our investment in TerreStar Networks Inc. in December 2015.

Income tax provision, net. Income tax expense was \$80.3 million for the year ended December 31, 2016, an increase of \$29.0 million or 56.6%, compared to the same period in 2015. Our effective income tax rate was 37.0% and 36.8% for the year ended December 31, 2016 and 2015, respectively. The variations in our current year effective tax rate from the U.S. federal statutory rate for the year ended December 31, 2016 were primarily due to state income taxes and various permanent tax differences, partially offset by research and experimentation credits. The variations in our effective tax rate from the U.S. federal statutory rate for the year ended December 31, 2015 were primarily due to research and experimentation tax credits.

Net income attributable to EchoStar. “Net income attributable to EchoStar” was \$179.9 million for the year ended December 31, 2016, an increase of \$26.6 million or 17.3%, compared to the same period in 2015. The increase was primarily due to (i) an increase of \$27.4 million in gains on marketable investments, net of losses and impairments, (ii) an increase of \$22.4 million in operating income, including depreciation and amortization, (iii) an increase of \$13.3 million in equity in earnings of unconsolidated affiliates, net, (iv) an increase of \$10.9 million in interest income and (v) an increase of \$4.8 million in other income. The increase was partially offset by (i) an increase of \$29.0 million in income tax expense, (ii) a decrease of \$17.0 million in income from discontinued operations in 2017, (iii) a decrease of \$4.7 million in net loss attributable to noncontrolling interest in HSS Tracking Stock, and (iv) an increase of \$1.5 million in interest expense, net of amounts capitalized.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”). EBITDA was \$751.0 million for the year ended December 31, 2016, an increase of \$35.3 million, or 4.9%, compared to the same period in 2015. The increase was primarily due to (i) an increase of \$27.4 million in gains on marketable investments, net of losses and impairments, (ii) an increase of \$13.3 million in equity in earnings of unconsolidated affiliates, net, and (iii) an increase of \$4.8 million in other income. The increase was partially offset by (i) a decrease of \$5.5 million in operating income, excluding depreciation and amortization and (ii) a decrease of \$4.7 million in net loss attributable to noncontrolling interest in HSS Tracking Stock. EBITDA is a non-GAAP financial measure and is described under Explanation of Key Metrics and Other Items below. The following table reconciles EBITDA to Net income, the most directly comparable GAAP measure in the accompanying financial statements.

	For the Years Ended December 31,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Net income	\$ 180,692	\$ 149,371	\$ 31,321	21.0
Interest income and expense, net	102,237	111,607	(9,370)	(8.4)
Income tax benefit	80,254	51,235	29,019	56.6
Depreciation and amortization	432,904	460,819	(27,915)	(6.1)
Net income from discontinued operations	(44,320)	(61,279)	16,959	(27.7)
Net (income) loss attributable to noncontrolling interest in HSS Tracking Stock and other noncontrolling interests	(762)	3,986	(4,748)	*
EBITDA	<u>\$ 751,005</u>	<u>\$ 715,739</u>	<u>\$ 35,266</u>	4.9

* Percentage is not meaningful.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued
Segment Operating Results and Capital Expenditures
Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

	Hughes	EchoStar Satellite Services	Corporate and Other	Consolidated Total
(In thousands)				
For the Year Ended December 31, 2016				
Total revenue	\$ 1,392,361	\$ 407,660	\$ 10,445	\$ 1,810,466
Capital expenditures	\$ 322,362	\$ 58,925	\$ 247,223	\$ 628,510
EBITDA	\$ 477,165	\$ 341,516	\$ (67,676)	\$ 751,005
For the Year Ended December 31, 2015				
Total revenue	\$ 1,347,340	\$ 490,591	\$ 10,926	\$ 1,848,857
Capital expenditures	\$ 285,499	\$ 101,215	\$ 266,213	\$ 652,927
EBITDA	\$ 444,342	\$ 414,727	\$ (143,330)	\$ 715,739

Hughes Segment

	For the Years Ended December 31,		Variance	
	2016	2015	Amount	%
(Dollars in thousands)				
Total revenue	\$ 1,392,361	\$ 1,347,340	\$ 45,021	3.3
Capital expenditures	\$ 322,362	\$ 285,499	\$ 36,863	12.9
EBITDA	\$ 477,165	\$ 444,342	\$ 32,823	7.4

Revenue

Hughes segment total revenue for the year ended December 31, 2016 increased by \$45.0 million, or 3.3%, compared to the same period in 2015. The increase was primarily due to an increase of \$40.7 million in sales of broadband equipment to our domestic enterprise and government customers and an increase of \$28.6 million in sales of broadband services to our domestic consumer customers. These increases were partially offset by a decrease of \$25.5 million in revenue of broadband equipment and services to our international and mobile satellite systems customers.

Capital Expenditures

Hughes segment capital expenditures for the year ended December 31, 2016 increased by \$36.9 million, or 12.9%, compared to the same period in 2015, primarily due to an increase in expenditures on the 63 West satellite. The increase was partially offset by a decrease in capital expenditures on satellite ground infrastructures related to the EchoStar XIX and EchoStar XXI satellites. Capital expenditures associated with the construction and launch of the EchoStar XIX satellite are included in “Corporate and Other” in our segment reporting.

EBITDA

Hughes segment EBITDA for the year ended December 31, 2016 was \$477.2 million, an increase of \$32.8 million, or 7.4%, compared to the same period in 2015. The increase was primarily attributable to a \$37.9 million increase in total gross margin and an unfavorable foreign exchange impact of \$3.6 million in 2015. These increases were partially offset by an increase of \$4.8 million in research and development expenses and an increase of \$3.8 million in marketing and promotional costs.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**EchoStar Satellite Services Segment**

	For the Years Ended December 31,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Total revenue	\$ 407,660	\$ 490,591	\$ (82,931)	(16.9)
Capital expenditures	\$ 58,925	\$ 101,215	\$ (42,290)	(41.8)
EBITDA	\$ 341,516	\$ 414,727	\$ (73,211)	(17.7)

Revenue

ESS segment total revenue for the year ended December 31, 2016 decreased by \$82.9 million, or 16.9%, compared to the same period in 2015, primarily due to a decrease of \$74.1 million in revenue as a result of the termination of the satellite services provided to DISH Network from the EchoStar I and EchoStar VIII satellites effective in November 2015 and a decrease of \$9.0 million primarily attributable to a decrease in sales of transponder services.

Capital Expenditures

ESS segment capital expenditures for the year ended December 31, 2016 decreased by \$42.3 million, or 41.8%, compared to the same period in 2015, primarily related to a decrease in expenditures on the EchoStar 105/SES-11 satellite.

EBITDA

ESS segment EBITDA for the year ended December 31, 2016 was \$341.5 million, a decrease of \$73.2 million, or 17.7%, compared to the same period in 2015. The decrease in EBITDA for our ESS segment was primarily due to a decrease of \$76.9 million in gross margin and \$4.5 million non-recurring reduction of the capital lease obligation for the AMC-15 and AMC-16 satellites recorded in the first quarter of 2015 as a result of anomalies that previously affected the operation of these satellites. The decrease in EBITDA was partially offset by \$7.5 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016.

Corporate and Other

Corporate and Other is comprised of various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments.

	For the Years Ended December 31,		Variance	
	2016	2015	Amount	%
	(Dollars in thousands)			
Total revenue	\$ 10,445	\$ 10,926	\$ (481)	(4.4)
Capital expenditures	\$ 247,223	\$ 266,213	\$ (18,990)	(7.1)
EBITDA	\$ (67,676)	\$ (143,330)	\$ 75,654	(52.8)

Capital Expenditures

For the year ended December 31, 2016, Corporate and Other capital expenditures decreased by \$19.0 million, or 7.1%, compared to the same period in 2015, primarily related to a decrease of \$71.9 million in satellite expenditures on the EchoStar XXIII satellite, partially offset by an increase of \$55.3 million in satellite expenditures on the EchoStar XIX satellite. The EchoStar XIX satellite will be used to provide additional capacity for the Hughes broadband services in North America and certain Latin American countries and was contributed to the Hughes segment in the first quarter of 2017. The EchoStar XXI

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

satellite is intended to be used by EchoStar Mobile in providing mobile satellite services in the European Union and the EchoStar XXIII satellite will be deployed at the 45 degree west longitude orbital location providing services in Brazil.

EBITDA

For the year ended December 31, 2016, Corporate and Other EBITDA was \$67.7 million in expense, a decrease in expense of \$75.7 million or 52.8%, compared to the same period in 2015. The change in EBITDA was primarily related to (i) a decrease of \$44.2 million in cost of sales relating to the EchoStar XV satellite for services provided from DISH Network as a result of the termination of the satellite service agreement effective in November 2015, (ii) an increase of \$13.2 million in equity in earnings of unconsolidated affiliates, net in 2016 when compared to the same period in 2015, (iii) an other than temporary impairment loss of \$11.2 million on certain strategic equity securities in 2015, (iv) \$6.0 million for a provision recorded in the first half of 2015 in connection with FCC regulatory fees, which was reversed in the first quarter of 2016, and (v) an increase of \$5.6 million in realized gains on our securities classified as available-for-sale in 2016. The increases were partially offset by a decrease of \$4.7 million in net loss attributable to noncontrolling interest in HSS Tracking Stock.

LIQUIDITY AND CAPITAL RESOURCES**Cash, Cash Equivalents and Current Marketable Investment Securities**

We consider all liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. See Item 7A. — Quantitative and Qualitative Disclosures about Market Risk in this Annual Report on Form 10-K for further discussion regarding our marketable investment securities.

As of December 31, 2017, our cash, cash equivalents and current marketable investment securities totaled \$3.25 billion compared to \$3.09 billion as of December 31, 2016, an increase of \$152.7 million.

As of December 31, 2017 and 2016, we held \$814.2 million and \$522.5 million, respectively, of marketable investment securities, consisting of various debt and equity instruments including corporate bonds, corporate equity securities, government bonds and mutual funds.

The following discussion highlights our cash flow activities for the years ended December 31, 2017, 2016 and 2015.

Cash flows from operating activities. We typically reinvest the cash flow from operating activities in our business. For the years ended December 31, 2017, 2016 and 2015, we reported net cash inflows from operating activities of \$726.9 million, \$803.3 million and \$776.5 million, respectively. Cash flows from operating activities reflects a benefit from the disposition of the EchoStar Technologies businesses as a result of the Share Exchange.

Net cash inflows from operating activities for the year ended December 31, 2017 decreased by \$76.5 million compared to the same period in 2016. The decrease in cash inflows was primarily attributable to a lower net income of \$184.5 million adjusted to exclude: (i) "Depreciation and amortization;" (ii) "Impairment of long-lived assets;" (iii) "Equity in earnings (losses) of unconsolidated affiliates, net;" (iv) "Losses (gains) and impairment on marketable investment securities, net;" (v) "Stock-based compensation;" (vi) "Deferred tax provision (benefit);" (vii) "Other, net;" and to include (viii) "Dividends received from unconsolidated entities;" and (ix) "Proceeds from sale of trading securities." The decrease in cash inflows was partially offset by an increase in cash outflows of \$108.0 million resulting from timing differences in operating assets and liabilities.

Net cash inflows from operating activities for the year ended December 31, 2016 increased by \$26.9 million compared to the same period in 2015. The increase in cash inflows was primarily attributable to a decrease in cash outflows of \$20.1 million resulting from timing differences in operating assets and liabilities and higher net income of \$6.8 million adjusted to exclude: (i) "Depreciation and amortization;" (ii) "Equity in earnings (losses) of unconsolidated affiliates, net;" (iii) "Losses (gains) and impairment on marketable investment securities, net;" (iv) "Loss from partial redemption of debt;" (v) "Stock-based compensation;" (vi) "Deferred tax provision (benefit);" (vii) "Other, net;" and to include (viii) "Dividends received from unconsolidated entities;" and (ix) "Proceeds from sale of trading securities."

Cash flows from investing activities. Our investing activities generally include purchases and sales of marketable investment securities, capital expenditures, acquisitions, and strategic investments. For the years ended December 31, 2017, 2016 and

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

2015, we reported net cash outflows from investing activities of \$868.0 million, \$632.3 million and \$275.3 million, respectively.

Net cash outflows from investing activities for the year ended December 31, 2017 increased by \$235.7 million compared to the same period in 2016. The increase in cash outflows primarily related to a decrease of \$357.6 million in sales and maturities of marketable investment securities, net of purchases, and an increase of \$8.1 million in expenditures for externally marketed software and a decrease of \$6.0 million in restricted cash and marketable investment securities. The increase in cash outflows was partially offset by a decrease of \$119.4 million in capital expenditures, net of related refunds, in 2017 when compared to the same period in 2016 and cash proceeds of \$17.8 million from the sale of our investment in Invidi Technologies Corporation to an entity owned in part by DISH Network in the first quarter of 2017.

Net cash outflows from investing activities for the year ended December 31, 2016 increased by \$357.0 million compared to the same period in 2015. The increase in cash outflows primarily related to an increase of \$440.7 million in purchases of marketable investment securities, net of sales and maturities. The increase in cash outflows was partially offset by a \$64.7 million investment in WorldVu and SmarDTV in the second quarter of 2015, a decrease of \$9.1 million in restricted cash relating to a release in funds for certain satellite slots as a result of a FCC settlement in 2016, an decrease of \$5.3 million in capital expenditures, net of related refunds, in 2016 when compared to the same period in 2015 and the acquisition of a regulatory authorization in the first quarter of 2015 of \$3.4 million.

Cash flows from financing activities. Our financing activities generally include proceeds related to the issuance of debt and cash used for the repurchase, redemption or payment of debt and capital lease obligations, and the proceeds from Class A common stock options exercised and stock issued under our stock incentive plans and employee stock purchase plan. For the years ended December 31, 2017, 2016 and 2015, we reported net cash inflows from financing activities of \$0.1 million, net cash inflows from financing activities of \$1.48 billion, net cash outflows from financing activities of \$120.3 million, respectively.

Net cash inflows from financing activities decreased by \$1.48 billion for the year ended December 31, 2017 compared to the same period in 2016. The decrease in cash inflows was primarily due to proceeds of \$1.5 billion from the issuance of the 2026 Notes in the third quarter of 2016 and a decrease of \$5.6 million in net proceeds from Class A common stock issued under our employee stock purchase plan in 2017, partially offset by an increase of \$22.5 million in net proceeds from Class A common stock options exercised issued under our stock incentive plans in 2017 and a decrease of \$6.7 million in payments of debt issuance costs in 2017.

Net cash inflows from financing activities increased by \$1.60 billion for the year ended December 31, 2016 compared to the same period in 2015. The increase in cash inflows was primarily due to the proceeds of \$1.5 billion from the issuance of the 2026 Notes in the third quarter of 2016, the partial redemption of the 2019 Senior Secured Notes of \$110.0 million and related premium of \$3.3 million in the second quarter of 2015, a decrease of \$7.7 million in capital lease obligation payments relating to the expiration of the capital lease for the AMC-16 satellite, effective February 2015, partially offset by a decrease of \$11.3 million in net proceeds from Class A common stock options exercised and stock issued under our stock incentive plans and employee stock purchase plan, payments of debt issuance costs of \$7.1 million in 2016, and a decrease of \$3.1 million in excess tax benefits recognized on the exercise of stock options.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued**Obligations and Future Capital Requirements*****Contractual Obligations and Off-Balance Sheet Arrangements***

The following table summarizes our contractual obligations at December 31, 2017:

	Payments Due in the Year Ending December 31,						
	Total	2018	2019	2020	2021	2022	Thereafter
	(In thousands)						
Long-term debt	\$ 3,390,000	\$ —	\$ 990,000	\$ —	\$ 900,000	\$ —	\$ 1,500,000
Capital lease obligations	269,701	40,631	40,740	45,096	46,450	31,985	64,799
Interest on long-term debt and capital lease obligations	1,235,317	248,840	212,466	175,899	136,730	98,282	363,100
Satellite-related obligations	923,910	342,065	139,312	111,662	57,691	124,411	148,769
Operating lease obligations	84,944	15,423	14,385	14,089	11,547	7,588	21,912
Total	\$ 5,903,872	\$ 646,959	\$ 1,396,903	\$ 346,746	\$ 1,152,418	\$ 262,266	\$ 2,098,580

“Satellite-related obligations” primarily include payments pursuant to agreements for the construction of the EchoStar XXIV satellite; payments pursuant to launch services contracts and regulatory authorizations; executory costs for our capital lease satellites; costs under satellite service agreements; and in-orbit incentives relating to certain satellites; as well as commitments for long-term satellite operating leases and satellite service arrangements.

The table above does not include amounts related to deferred tax liabilities, unrecognized tax positions and certain other amounts recorded in our noncurrent liabilities as the timing of any payments is uncertain. The table also excludes long-term deferred revenue and other long-term liabilities that do not require future cash payments.

In certain circumstances, the dates on which we are obligated to pay our contractual obligations could change.

Off-Balance Sheet Arrangements

Other than the transactions described below, we generally do not engage in off-balance sheet financing activities or use derivative financial instruments for hedge accounting or speculative purposes.

As of December 31, 2017, we had \$31.1 million of letters of credit and insurance bonds. Of this amount, \$10.2 million was secured by restricted cash, \$0.8 million was related to insurance bonds, and \$20.1 million was issued under credit arrangements available to our foreign subsidiaries. Certain letters of credit are secured by assets of our foreign subsidiaries.

As of December 31, 2017, we had foreign currency forward contracts with a notional value of \$4.7 million in place to partially mitigate foreign currency exchange risk. From time to time, we may enter into foreign currency forward contracts, or take other measures, to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions.

Satellite Insurance

We historically have not carried in-orbit insurance on our satellites because we assessed that the cost of insurance was uneconomical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain in-orbit insurance for our SPACEWAY 3, EchoStar XVI, and EchoStar XVII satellites. Based on economic analysis of the current insurance market we obtained launch plus one year in-orbit insurance, subject to certain limitations, for the EchoStar XIX, EchoStar XXI and EchoStar XXIII satellites. Additionally, we obtained certain launch and in-orbit insurance for our interest in the EchoStar 105/SES-11 satellite. Our other satellites, either in orbit or under construction, are not covered by launch or in-orbit insurance. We will continue to assess circumstances going forward and make insurance decisions on a case by case basis.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Future Capital Requirements***

We primarily rely on our existing cash and marketable investment securities balances, as well as cash flow generated through our operations to fund our business. The loss of, or a significant reduction in provision of satellite services would significantly reduce our revenue and materially adversely impact our results of operations. Revenue in our ESS segment depends largely on our ability to continuously make satellite capacity available for sale. Consumer revenue in our Hughes segment depends on our success in adding new and retaining existing subscribers and driving higher average revenue per subscriber across our wholesale and retail channels. Revenue in our aeronautical, enterprise and equipment businesses relies heavily on global economic conditions and the competitive landscape for pricing relative to competitors and alternative technologies. Service costs related to ongoing support of our direct and indirect customers and partners are typically impacted most significantly by our growth. There can be no assurance that we will have positive cash flows from operations. Furthermore, if we experience negative cash flows, our existing cash and marketable investment securities balances may be reduced.

We have a significant amount of outstanding indebtedness. As of December 31, 2017, our total indebtedness was \$3.63 billion, of which \$269.7 million related to capital lease obligations. For a discussion of the terms of our indebtedness, see Note 11 in the notes to consolidated financial statements in Item 15 of this report. Our liquidity requirements will be significant, primarily due to our debt service requirements and the design and construction of our new EchoStar XXIV satellite. In addition, our future capital expenditures are likely to increase if we make acquisitions or additional investments in infrastructure or joint ventures to support and expand our business, or if we decide to purchase or build one or more additional satellites. Other aspects of our business operations may also require additional capital. We periodically evaluate various strategic initiatives, the pursuit of which could also require us to invest or raise significant additional capital, which may not be available on acceptable terms or at all. The 2017 Tax Act limits the deductibility of interest expense for U.S. federal income tax purposes. While the 2017 Tax Act generally is likely to reduce our federal income tax obligations, if these limitations or other newly enacted provisions become applicable to us they could minimize such reductions or otherwise require us to pay additional federal income taxes, which in turn could result in additional liquidity needs.

We anticipate that our existing cash and marketable investment securities are sufficient to fund the currently anticipated operations of our business through the next twelve months.

Satellites

As our satellite fleet ages, we will be required to evaluate replacement alternatives such as acquiring, leasing or constructing additional satellites, with or without customer commitments for capacity. We may also construct or lease additional satellites in the future to provide satellite services at additional orbital locations or to improve the quality of our satellite services.

Stock Repurchases

Pursuant to a stock repurchase program approved by our board of directors, we are authorized to repurchase up to \$500.0 million of our outstanding shares of Class A common stock through December 31, 2018. During the years ended December 31, 2017, 2016 and 2015, we did not repurchase any common stock under this program.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the balance sheets, the reported amounts of revenue and expenses for each reporting period, and certain information disclosed in the notes to consolidated financial statements in Item 15 of this report. We base our estimates, judgments, and assumptions on historical experience and on various other factors that we believe to be relevant under the circumstances. Actual results may differ from previously estimated amounts, and such differences may be material to our consolidated financial statements. We review our estimates and assumptions periodically, and the effects of revisions are reflected in the period they occur or prospectively if the revised estimate affects future periods. The following represent what we believe are the critical accounting policies that may involve a high degree of estimation, judgment and complexity. For a summary of our significant accounting policies, including those discussed below, see Note 2 in the notes to consolidated financial statements in Item 15 of this report.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued***Marketable Securities and Other Investments***

We hold investments in debt and equity securities of various companies, including marketable investments in publicly traded securities and non-marketable investments in securities of privately held companies. Our marketable investment securities ordinarily are accounted for as available for sale; accordingly, we report those securities at fair value on a recurring basis and generally recognize unrealized gains and losses in other comprehensive income (loss). Except in unusual circumstances, the estimated fair values of our marketable investment securities are determined by reference to quoted prices for identical securities or based primarily on other observable market inputs. Our investments in non-marketable securities typically are strategic investments in privately held companies and may be highly speculative. We account for such investments using the equity method when we exercise significant influence over the investee; otherwise, we account for such investments using the cost method.

All of our investments are subject to quarterly evaluations to determine whether an other-than-temporary impairment has occurred, in which case we record an impairment loss in determining net income. For our marketable investment securities, our impairment evaluation considers factors such as the length of time the security has been in a continuous unrealized loss position, the magnitude of the unrealized loss, current market conditions, company-specific information, and whether we have the intent and ability to hold the investment in the foreseeable future. Generally, it is not practicable to estimate fair value of our cost method and equity method investments on a recurring basis. Our impairment evaluation for such investments considers whether events or changes in circumstances have occurred that may have a significant adverse effect on the fair value of the investment. As part of our evaluation, we review available information such as recent company financial statements, business plans and current economic conditions for factors that may indicate an impairment of our investments. When we determine that an investment is impaired and the impairment is other than temporary, we adjust the carrying amount of the investment to its estimated fair value and recognize an impairment loss in earnings. In these circumstances, our fair value estimates may reflect significant unobservable inputs.

Our periodic investment impairment evaluations require us to make significant estimates, judgments and assumptions about uncertain future events. In some cases, there may be limited or no observable market data to support significant assumptions in our estimates. As a result of weakening economic conditions, or other future events and changes in circumstances affecting our investments, we may subsequently determine that an investment is impaired or that an existing impairment is other than temporary. Such events and changes in circumstances could result in our recognition of material investment impairment losses in the future.

Impairment of Long-lived Assets

We evaluate our long-lived assets other than goodwill and intangible assets with indefinite lives for impairment whenever events and changes in circumstances indicate that their carrying amounts may not be recoverable. The carrying amount of a long-lived asset or asset group is considered to not be recoverable when the estimated future undiscounted cash flows from such asset or asset group is less than its carrying amount. In that event, an impairment loss is recorded in the determination of operating income based on the amount by which the carrying amount exceeds the estimated fair value of the long-lived asset or asset group. Fair value is determined primarily using discounted cash flow techniques reflecting the estimated cash flows and discount rate that would be assumed by a market participant for the asset or asset group under review. Our discounted cash flow estimates typically include assumptions based on unobservable inputs and may reflect probability-weighting of alternative scenarios. Estimated losses on long-lived assets to be disposed of by sale may be determined in a similar manner, except that fair value estimates are reduced for estimated selling costs. Changes in estimates of future cash flows, discount rates and other assumptions could result in recognition of additional impairment losses in future periods.

Impairment of Goodwill and Indefinite-lived Intangible Assets

We test our goodwill for impairment annually and more frequently when events or changes in circumstances indicate that an impairment may have occurred. The goodwill impairment test involves a comparison of the fair value of a reporting unit with its carrying amount, including goodwill. We typically estimate fair value of reporting units using discounted cash flow techniques, which includes significant assumptions about prospective financial information, terminal value and discount rates (Level 3 inputs). If the reporting unit's carrying amount exceeds its estimated fair value, we recognize an impairment loss equal to such excess, not to exceed the carrying amount of goodwill. We may bypass the quantitative impairment test when we determine based on a qualitative assessment that it is more likely than not that the fair value of a reporting unit exceeds its

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

carrying amount including goodwill. We early adopted ASU 2017-04 as of January 1, 2017. See Note 2 in our notes to consolidated financial statements in Item 15 of this report for further information.

As of December 31, 2017, our goodwill consisted of goodwill assigned to reporting units of the Hughes segment. We test such goodwill annually in our second fiscal quarter. Based on our qualitative assessment of impairment of the goodwill assigned to the Hughes segment in the second quarter of each of 2017 and 2016, we determined that no further testing of goodwill for impairment was necessary as it was more likely than not that the fair values of the Hughes segment reporting units exceeded their corresponding carrying amounts. Depending on our assessment of future events and changes in circumstances, we may be required to perform the quantitative impairment test in the future. We may determine that some or all of our goodwill is impaired in connection with future impairment tests.

Our indefinite-lived intangible assets consist primarily of regulatory authorizations for the use of spectrum in specified orbital locations. We test these intangible assets annually in our fourth fiscal quarter, or more frequently if events or changes in circumstances indicate that an impairment may have occurred. We recognize an impairment loss in the determination of operating income when we determine that the carrying amount of an intangible asset exceeds its estimated fair value. Fair value is determined primarily using discounted cash flow techniques reflecting the estimated cash flows and discount rate that we believe would be assumed by market participants. Our cash flow projections typically include significant assumptions based on unobservable inputs. Changes in economic conditions, laws and regulations, technology, competition and other factors could affect the assumptions reflected in our fair value estimates and may result in future intangible asset impairments. We may bypass the quantitative impairment test when we determine based on a qualitative assessment that it is not more likely than not that an indefinite-lived intangible asset is impaired.

Revenue Recognition

Our Hughes segment enters into contracts to design, develop, and deliver telecommunication networks to customers in our enterprise and mobile satellite systems markets. Those contracts require significant effort to develop and construct the network over an extended time period. Revenue from such contracts is recognized using the percentage-of-completion method. Depending on the nature of the arrangement, we measure progress toward completion using the cost-to-cost method or the units-of-delivery method. Under the cost-to-cost method, revenue reflects the ratio of costs incurred to estimated total costs at completion. Under the units-of-delivery method, revenue and related costs are recognized as products are delivered based on the expected profit for the entire agreement. Profit margins on long-term contracts are based on estimates of total revenue and costs at completion. We review and revise our estimates periodically and recognize related adjustments in the period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified. Changes in our periodic estimates for these contracts could result in significant adjustments to our revenue or costs, which could be material to our consolidated results of operations.

Income Taxes

We record deferred tax assets and liabilities for the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and their corresponding carrying amounts reported in our consolidated balance sheets, as well as for operating loss and tax credit carryforwards. Determining necessary valuation allowances for deferred tax assets requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. We periodically evaluate the need for valuation allowances based on both historical evidence, including trends, and future expectations. Our future operating results and other events and circumstances could have a significant effect on the realization of tax benefits. Those future events and circumstances could require significant adjustments to our valuation allowances in future periods, which could be material to our consolidated results of operations.

Management evaluates the recognition and measurement of uncertain tax positions based on applicable tax law, regulations, case law, administrative rulings and pronouncements, and the facts and circumstances surrounding the tax position. Changes in our estimates related to the recognition and measurement of the amount recorded for uncertain tax positions could result in significant adjustments to our income tax provision or benefit in future periods, which could be material to our consolidated results of operations.

The enactment of the 2017 Tax Act in December 2017 increased the complexity of our income tax accounting and resulted in significant adjustments to our deferred income tax accounts in 2017. We have recorded a provisional deferred tax benefit to reflect re-measurement of our deferred tax assets and liabilities and we have provisionally determined that we have no liability

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

from the tax on deemed mandatory repatriation and for the effects of the new law on our deferred taxes arising from foreign tax credit carryovers. We will account for the effects, if any, of the global intangible low-taxed income provisions (“GILTI”) of the 2017 Tax Act as incurred. See Note 12 to our consolidated financial statements in Item 15 of this report for further information.

Due to the timing of the enactment and the complexity involved in applying the provisions of the 2017 Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. As we collect and prepare necessary data, and interpret the 2017 Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts. Those adjustment may materially impact the provision for income taxes and the effective tax rate in the period in which the adjustments are made.

Contingent Liabilities

We record an accrual for litigation and other loss contingencies when we determine that a loss is probable and the amount of the loss can be reasonably estimated. Legal fees and other costs of defending litigation are charged to expense as incurred. A significant amount of management judgment is required in determining whether an accrual should be recorded for a loss contingency and the amount of such accrual. Estimates generally are developed in consultation with legal counsel and are based on an analysis of potential outcomes. Due to the inherent uncertainty in determining the likelihood of potential outcomes and the potential financial statement impact of such outcomes, it is possible that upon further development or resolution of a contingent matter, charges related to existing loss contingencies could be recorded in future periods, which could be material to our consolidated results of operations and financial position.

New Accounting Pronouncements

For a discussion of new accounting pronouncements, see Note 2 in the notes to consolidated financial statements in Item 15 of this report. We are continuing to assess the impact of adopting the recently issued accounting pronouncements on our consolidated financial statements and related disclosures.

Seasonality

For our Hughes segment, service revenue is generally not impacted by seasonal fluctuations other than those associated with fluctuations related to sales and promotional activities. However, like many communications infrastructure equipment vendors, a higher amount of our hardware revenue occurs in the second half of the year due to our customers’ annual procurement and budget cycles. Large enterprises and operators often allocate their capital expenditure budgets at the beginning of their fiscal year (which often coincides with the calendar year). The typical sales cycle for large complex system procurements is six to 12 months, which often results in the customer expenditure occurring towards the end of the year. Customers often seek to expend the budgeted funds prior to the end of the year and the next budget cycle.

Our ESS segment is not generally affected by seasonal impacts.

Inflation

Inflation has not materially affected our operations during the past three years. We believe that our ability to increase the prices charged for our products and services in future periods will depend primarily on competitive pressures or contractual terms.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

EXPLANATION OF KEY METRICS AND OTHER ITEMS

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

Services and other revenue — DISH Network. “Services and other revenue — DISH Network” primarily includes revenue associated with satellite and transponder services, telemetry, tracking and control, professional services, facilities rental revenue and other services provided to DISH Network. “Services and other revenue — DISH Network” also includes subscriber wholesale service fees for the Hughes service sold to dishNET.

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

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

Cost of sales — services and other. “Cost of sales — services and other” primarily includes the cost of broadband services provided to our enterprise and consumer customers, and to DISH Network, as well as the cost of providing maintenance and other contracted services. “Cost of sales — services and other” also includes the costs associated with satellite and transponder services, telemetry, tracking and control, professional services, facilities rental costs, and other services provided to our customers, including DISH Network.

Cost of sales — equipment. “Cost of sales — equipment” consists primarily of the cost of broadband equipment and networks sold to customers in our enterprise and consumer markets, and to DISH Network.

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

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

Impairment of long-lived assets. “Impairment of long-lived assets” includes our impairment losses related to our property and equipment, goodwill and other intangible assets.

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

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

Gains and impairment on investments, net. “Gains and impairment on investments, net” primarily includes gains, net of any losses, on the sale or exchange of investments, other-than-temporary impairment on certain of our marketable investment securities and unrealized gains on our trading securities.

Equity in earnings (losses) of unconsolidated affiliates, net. “Equity in earnings (losses) of unconsolidated affiliates, net” includes earnings or losses from our investments accounted for using the equity method.

Item 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Continued

Other, net. “Other, net” primarily includes foreign exchange gains and losses, dividends received from our marketable investment securities, and other non-operating income or expense items that are not appropriately classified elsewhere in our consolidated statements of operations.

Income (loss) from discontinued operations. “Income (loss) from discontinued operations” includes the condensed consolidated financial statements of the EchoStar Technologies businesses and certain other assets exchanged as a result of the Share Exchange.

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

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

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated with Financial Instruments and Foreign Currency

Our investments and debt are exposed to market risks, discussed below.

Cash, Cash Equivalents and Current Marketable Investment Securities

As of December 31, 2017, our cash, cash equivalents and current marketable investment securities had a fair value of \$3.25 billion. Of this amount, a total of \$3.11 billion was invested in: (a) cash; (b) commercial paper and corporate notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; (c) debt instruments of the U.S. government and its agencies; and/or (d) instruments with similar risk, duration and credit quality characteristics to the commercial paper and corporate obligations described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to, among other things, fund operations, make strategic investments and expand the business. Consequently, the size of this portfolio fluctuates significantly as cash is received and used in our business. The value of this portfolio may be negatively impacted by credit losses; however, this risk is mitigated through diversification that limits our exposure to any one issuer.

Interest Rate Risk

A change in interest rates would not affect the fair value of our cash, or materially affect the fair value of our cash equivalents due to their maturities of less than 90 days. A change in interest rates would affect the fair value of our current marketable debt securities portfolio; however, we normally hold these investments to maturity. Based on our current non-strategic investment portfolio of \$3.11 billion as of December 31, 2017, a hypothetical 10% change in average interest rates during 2017 would not have had a material impact on the fair value of our cash, cash equivalents and debt securities portfolio due to the limited duration of our investments.

Our cash, cash equivalents and current marketable debt securities had an average annual rate of return for the year ended December 31, 2017 of 1.3%. A change in interest rates would affect our future annual interest income from this portfolio, since funds would be re-invested at different rates as the instruments mature. A hypothetical 10% decrease in average interest rates during 2017 would have resulted in a decrease of approximately \$3.9 million in annual interest income.

Strategic Marketable Investment Securities

As of December 31, 2017, we held current strategic investments in the publicly traded common stock of several companies with a fair value of \$133.7 million. These investments, which are held for strategic and financial purposes, are concentrated in a small number of companies, are highly speculative and have experienced and continue to experience volatility. The fair value of these investments can be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair value due to the volatility of the securities markets and of the underlying businesses. In general, our strategic marketable investment securities portfolio is not significantly impacted by interest rate fluctuations as it currently consists solely of equity securities, the value of which is more closely related to factors specific to the underlying business. A hypothetical 10% adverse change in the market price of our public strategic equity investments would have resulted in a decrease of approximately \$13.4 million in the fair value of these investments.

Investments in unconsolidated entities

As of December 31, 2017, we had \$161.4 million of noncurrent equity instruments that we hold for strategic business purposes and account for under the cost or equity methods of accounting. The fair value of these instruments is not readily determinable. We periodically review these investments and estimate fair value when there are indications of impairment. A hypothetical adverse change equal to 10% of the carrying amount of these equity instruments would have resulted in a decrease of approximately \$16.1 million in the value of these investments.

Our ability to realize value from our strategic investments in companies that are privately held depends on the success of those companies' businesses and their ability to obtain sufficient capital to execute their business plans. Because private markets are

not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them we will not be able to obtain fair value for them.

Foreign Currency Exchange Risk

We generally conduct our business in U.S. dollars. Our international business is conducted in a variety of foreign currencies with our largest exposures being to the Brazilian real, the Indian rupee, and the British pound. This exposes us to fluctuations in foreign currency exchange rates. Transactions in foreign currencies are converted into U.S. dollars using exchange rates in effect on the dates of the transactions.

Our objective in managing our exposure to foreign currency changes is to reduce earnings and cash flow volatility associated with foreign exchange rate fluctuations. Accordingly, we may enter into foreign currency forward contracts, or take other measures, to mitigate risks associated with foreign currency denominated assets, liabilities, commitments and anticipated foreign currency transactions. As of December 31, 2017, we had \$16.8 million of net foreign currency denominated receivables and payables outstanding, and foreign currency forward contracts with a notional value of \$4.7 million in place to partially mitigate foreign currency exchange risk. The estimated fair values of the foreign exchange contracts were not material as of December 31, 2017. The impact of a hypothetical 10% adverse change in exchange rates on the carrying amount of the net assets and liabilities of our foreign subsidiaries would have been an estimated loss to the cumulative translation adjustment of \$26.3 million as of December 31, 2017.

Derivative Financial Instruments

We generally do not use derivative financial instruments for speculative purposes and we generally do not apply hedge accounting treatment to our derivative financial instruments. We evaluate our derivative financial instruments from time to time but there can be no assurance that we will not enter into additional foreign currency forward contracts, or take other measures, in the future to mitigate our foreign exchange risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements are included in Item 15 of this report beginning on page F-4.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report such that the information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during our fiscal quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We continue to review our internal control over financial reporting, and may from time to time make changes aimed at enhancing its effectiveness and to ensure that our systems evolve with our business.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed 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 in the United States ("GAAP").

Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets;
- (ii) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 15(a) of this Annual Report on Form 10-K.

Item 9B. OTHER INFORMATION

On February 22, 2018, we issued a press release (the "Press Release") announcing our financial results for the quarter and year ended December 31, 2017. A copy of the Press Release is furnished herewith as Exhibit 99.1.

The foregoing information, including the exhibit related thereto, is furnished in response to Item 2.02 of Form 8-K and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise, and shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to the identity and business experience of our directors and corporate governance will be set forth in our Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2017, under the caption “Election of Directors,” which information is hereby incorporated herein by reference.

The information required by this Item with respect to the identity and business experience of our executive officers is set forth on pages 13-14 of this report under the caption “Executive Officers of the Registrant.”

The information required by this Item with respect to our code of ethics is contained in Part I of this Form 10-K under the caption “Item 1. — Business — Website Access.”

Item 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in our Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2017, under the caption “Executive Compensation and Other Information,” which information is hereby incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth in our Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2017, under the captions “Election of Directors,” “Equity Security Ownership” and “Equity Compensation Plan Information,” which information is hereby incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in our Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2017, under the caption “Certain Relationships and Related Party Transactions,” which information is hereby incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be set forth in our Proxy Statement for the 2018 Annual Meeting of Shareholders, which will be filed no later than 120 days after December 31, 2017, under the caption “Principal Accountant Fees and Services,” which information is hereby incorporated herein by reference.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

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(1) Consolidated Financial Statements	
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(2) Financial Statement Schedules	
Schedule II — Valuation and Qualifying Accounts	F-63
(3) Exhibits	
2.1* Form of Separation Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference to Exhibit 2.1 to Amendment No. 1 of EchoStar Corporation's Form 10 filed December 12, 2007, Commission File No. 001-33807).	
2.2* Agreement and Plan of Merger between EchoStar Corporation, EchoStar Satellite Services L.L.C., Broadband Acquisition Corporation and Hughes Communications, Inc. dated as of February 13, 2011 (incorporated by reference to Exhibit 2.1 to Hughes Communications Inc.'s Current Report on Form 8-K, filed February 15, 2011, Commission File No. 1-33040). ****	
3.1* Articles of Incorporation of EchoStar Corporation (incorporated by reference to Exhibit 3.1 to Amendment No. 1 of EchoStar Corporation's Form 10 filed December 12, 2007, Commission File No. 001-33807).	
3.2* Amendment to the Articles of Incorporation of EchoStar Corporation (incorporated by reference to Exhibit 3.1 to EchoStar Corporation's Current Report on Form 8-K filed January 25, 2008, Commission File No. 001-33807).	
3.3* Certificate of Amendment to Articles of Incorporation of EchoStar Corporation, dated as of May 4, 2016 (incorporated by reference to Exhibit 3.1 to EchoStar Corporation's Current Report on Form 8-K, filed May 5, 2016, Commission File No. 001-33807).	
3.4* Certificate of Withdrawal of Certificate of Designation of EchoStar Corporation (incorporated by reference to Exhibit 3.1 to EchoStar Corporation's Current Report on Form 8-K, filed March 6, 2017, Commission File No. 001-33807).	
3.5* Bylaws of EchoStar Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 1 of EchoStar Corporation's Form 10 filed December 12, 2007, Commission File No. 001-33807).	
4.1* Specimen Class A Common Stock Certificate of EchoStar Corporation (incorporated by reference to Exhibit 4.1 to Amendment No. 1 of EchoStar Corporation's Form 10 filed December 12, 2007, Commission File No. 001-33807).	

- [4.2*](#) [Indenture relating to the EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\) 6 1/2% Senior Secured Notes due 2019, dated as of June 1, 2011, by and among EH Holding Corporation, the guarantors listed on the signature page thereto, and Wells Fargo Bank, National Association, as collateral agent and trustee \(incorporated by reference to Exhibit 4.1 to EchoStar Corporation's Current Report on Form 8-K filed June 2, 2011, Commission File No. 001-33807\).](#)
- [4.3*](#) [Indenture relating to the EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\) 7 5/8% Senior Unsecured Notes due 2021, dated as of June 1, 2011, by and among EH Holding Corporation, the guarantors listed on the signature page thereto, and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.2 to EchoStar Corporation's Current Report on Form 8-K filed June 2, 2011, Commission File No. 001-33807\).](#)
- [4.4*](#) [Supplemental Indenture relating to the 6 1/2% Senior Secured Notes due 2019 of EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\), dated as of June 8, 2011, by and among EH Holding Corporation, the guarantors listed on the signature page thereto, and Wells Fargo Bank, National Association, as collateral agent and trustee \(incorporated by reference to Exhibit 4.2 to EchoStar Corporation's Current Report on Form 8-K filed June 9, 2011, Commission File No. 001-33807\).](#)
- [4.5*](#) [Supplemental Indenture relating to the 7 5/8% Senior Unsecured Notes due 2021 of EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\), dated as of June 8, 2011, by and among EH Holding Corporation, the guarantors listed on the signature page thereto, and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.3 to EchoStar Corporation's Current Report on Form 8-K filed June 9, 2011, Commission File No. 001-33807\).](#)
- [4.6*](#) [Registration Rights Agreement, dated as of June 1, 2011, among EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\), the guarantors listed on the signature page thereto and Deutsche Bank Securities Inc. \(incorporated by reference to Exhibit 4.3 to EchoStar Corporation's Current Report on Form 8-K filed June 2, 2011, Commission File No. 001-33807\).](#)
- [4.7*](#) [Security Agreement, dated as of June 8, 2011, among EH Holding Corporation \(currently known as Hughes Satellite Systems Corporation\), the guarantors listed on the signature pages thereto, and Wells Fargo Bank, National Association, as collateral agent \(incorporated by reference to Exhibit 4.1 to EchoStar Corporation's Current Report on Form 8-K filed June 9, 2011, Commission File No. 001-33807\).](#)
- [4.8*](#) [Second Supplemental Indenture relating to the 6 1/2% Senior Secured Notes due 2019 of Hughes Satellite Systems Corporation, dated as of March 28, 2014, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantors listed on the signature pages thereto, and Wells Fargo Bank, National Association, as collateral agent and trustee \(incorporated by reference to Exhibit 4.1 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 9, 2014, Commission File No. 001-33807\).](#)
- [4.9*](#) [Second Supplemental Indenture relating to the 7 5/8% Senior Unsecured Notes due 2021 of Hughes Satellite Systems Corporation, dated as of March 28, 2014, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantors listed on the signature pages thereto, and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.2 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 9, 2014, Commission File No. 001-33807\).](#)
- [4.10*](#) [Joinder Agreement, dated as of March 28, 2014, to the Security Agreement dated as of June 8, 2011, by and among EchoStar XI Holding L.L.C., EchoStar XIV Holding L.L.C., and Wells Fargo Bank, National Association, as collateral agent \(incorporated by reference to Exhibit 4.3 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 9, 2014, Commission File No. 001-33807\).](#)
- [4.11*](#) [Form of Note for 6 1/2% Senior Secured Notes due 2019 \(included as part of Exhibit 4.2\).](#)
- [4.12*](#) [Form of Note for 7 5/8% Senior Unsecured Notes due 2021 \(included as part of Exhibit 4.3\).](#)
- [4.13*](#) [Indenture, relating to the 5.250% Senior Secured Notes, dated as of July 27, 2016, among Hughes Satellite Systems Corporation, the guarantors party thereto, U.S. Bank National Association, as trustee, and Wells Fargo Bank, National Association, as collateral agent \(incorporated by reference to Exhibit 4.1 to EchoStar Corporation's Current Report on Form 8-K filed on July 27, 2016, Commission File No. 001-33807\).](#)

- [4.14*](#) [Indenture, relating to the 6.625% Senior Unsecured Notes, dated as of July 27, 2016, among Hughes Satellite Systems Corporation, the guarantors party thereto and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 to EchoStar Corporation's Current Report on Form 8-K filed on July 27, 2016, Commission File No. 001-33807\).](#)
- [4.15*](#) [Registration Rights Agreement, dated as of July 27, 2016, among Hughes Satellite Systems Corporation, the guarantors party thereto and Deutsche Bank Securities Inc. \(incorporated by reference to Exhibit 4.3 to EchoStar Corporation's Current Report on Form 8-K filed on July 27, 2016, Commission File No. 001-33807\).](#)
- [4.16*](#) [Additional Secured Party Joinder, dated as of July 27, 2016, among U.S. Bank National Association, as trustee, Wells Fargo Bank, National Association, as collateral agent and Hughes Satellite Systems Corporation \(incorporated by reference to Exhibit 4.4 to EchoStar Corporation's Current Report on Form 8-K filed on July 27, 2016, Commission File No. 001-33807\).](#)
- [4.17*](#) [Form of 5.250% Senior Secured Note due 2026 \(included as part of Exhibit 4.13\).](#)
- [4.18*](#) [Form of 6.625% Senior Unsecured Note due 2026 \(included as part of Exhibit 4.14\).](#)
- [4.19*](#) [Joinder Agreement, dated as of March 23, 2017, to the Security Agreement dated as of June 8, 2011, by and between Cheyenne Data Center L.L.C. and Wells Fargo Bank, National Association, as collateral agent \(incorporated by reference to Exhibit 4.18 to Hughes Satellite Systems Corporation's Registration Statement on Form S-4, filed April 6, 2017, Commission File No. 333-179121\).](#)
- [4.20*](#) [Supplemental Indenture relating to Hughes Satellite Systems Corporation's 5.250% Senior Secured Notes due 2026, dated March 23, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto, U.S. Bank National Association, as trustee, and Wells Fargo Bank, National Association, as collateral agent \(incorporated by reference to Exhibit 4.19 to Hughes Satellite Systems Corporation's Registration Statement on Form S-4, filed April 6, 2017, Commission File No. 333-179121\).](#)
- [4.21*](#) [Supplemental Indenture relating to Hughes Satellite Systems Corporation's 6.625% Senior Notes due 2026, dated as of March 23, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.20 to Hughes Satellite Systems Corporation's Registration Statement on Form S-4, filed April 6, 2017, Commission File No. 333-179121\).](#)
- [4.22*](#) [Third Supplemental Indenture relating to Hughes Satellite Systems Corporation's 6½% Senior Secured Notes due 2019, dated March 23, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and Wells Fargo Bank, National Association, as collateral agent and trustee \(incorporated by reference to Exhibit 4.21 to Hughes Satellite Systems Corporation's Registration Statement on Form S-4, filed April 6, 2017, Commission File No. 333-179121\).](#)
- [4.23*](#) [Third Supplemental Indenture relating to Hughes Satellite Systems Corporation's 7% Senior Notes due 2021, dated March 23, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and Wells Fargo Bank, National Association, as trustee \(incorporated by reference to Exhibit 4.22 to Hughes Satellite Systems Corporation's Registration Statement on Form S-4, filed April 6, 2017, Commission File No. 333-179121\).](#)
- [4.24\(H\)](#) [Joinder Agreement, dated as of August 10, 2017, to the Security Agreement dated as of June 8, 2011, by and between HNS Americas, L.L.C., HNS Americas II, L.L.C. and Wells Fargo Bank, National Association, as collateral agent.](#)
- [4.25\(H\)](#) [Second Supplemental Indenture relating to Hughes Satellite Systems Corporation's 5.250% Senior Secured Notes due 2026, dated August 10, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto, U.S. Bank National Association, as trustee, and Wells Fargo Bank, National Association, as collateral agent.](#)
- [4.26\(H\)](#) [Second Supplemental Indenture relating to Hughes Satellite Systems Corporation's 6.625% Senior Notes due 2026, dated as of August 10, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and U.S. Bank National Association, as trustee.](#)

- [4.27\(H\)](#) [Fourth Supplemental Indenture relating to Hughes Satellite Systems Corporation’s 6½% Senior Secured Notes due 2019, dated August 10, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and Wells Fargo Bank, National Association, as collateral agent and trustee.](#)
- [4.28\(H\)](#) [Fourth Supplemental Indenture relating to Hughes Satellite Systems Corporation’s 7½% Senior Notes due 2021, dated August 10, 2017, by and among Hughes Satellite Systems Corporation, the guarantors and the supplemental guarantor listed on the signature pages thereto and Wells Fargo Bank, National Association, as trustee.](#)
- [10.1*](#) [Form of Tax Sharing Agreement between EchoStar Corporation and DISH Network Corporation \(incorporated by reference to Exhibit 10.2 to Amendment No. 1 of EchoStar Corporation’s Form 10 filed December 12, 2007, Commission File No. 001-33807\).](#)
- [10.2*](#) [Form of EchoStar Corporation 2008 Class B CEO Stock Option Plan \(incorporated by reference to Exhibit 10.25 to Amendment No. 1 of EchoStar Corporation’s Form 10 filed December 12, 2007, Commission File No. 001-33807\).**](#)
- [10.3*](#) [Form of Satellite Transponder Service Agreement between EchoStar Corporation and DISH Network L.L.C. \(incorporated by reference from Exhibit 10.28 to Amendment No. 2 to EchoStar Corporation’s Form 10 filed December 26, 2007, Commission File No. 001-33807\).](#)
- [10.4*](#) [QuetzSat-1 Satellite Service Agreement, dated November 24, 2008, between SES Latin America S.A. and EchoStar 77 Corporation, a subsidiary of EchoStar Corporation \(incorporated by reference to Exhibit 10.24 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).***](#)
- [10.5*](#) [QuetzSat-1 Satellite Service Agreement, dated November 24, 2008, between EchoStar 77 Corporation, a subsidiary of EchoStar Corporation, and DISH Network L.L.C. \(incorporated by reference to Exhibit 10.25 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).***](#)
- [10.6*](#) [Amended and Restated EchoStar Corporation 2008 Stock Incentive Plan \(the “2008 Stock Incentive Plan”\)\(incorporated by reference to EchoStar Corporation’s Definitive Proxy Statement on Form 14, filed September 18, 2014, Commission File No. 001-33807\).**](#)
- [10.7*](#) [Amended and Restated EchoStar Corporation 2008 Non-Employee Director Stock Option Plan \(the “2008 Non-Employee Director Stock Option Plan”\)\(incorporated by reference to EchoStar Corporation’s Definitive Proxy Statement on Form 14, filed March 31, 2009, Commission File No. 001-33807\).**](#)
- [10.8*](#) [NIMIQ 5 Whole RF Channel Service Agreement, dated September 15, 2009, between Telesat Canada and EchoStar Corporation \(incorporated by reference to Exhibit 10.30 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).***](#)
- [10.9*](#) [NIMIQ 5 Whole RF Channel Service Agreement, dated September 15, 2009, between EchoStar Corporation and DISH Network L.L.C. \(incorporated by reference to Exhibit 10.31 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).***](#)
- [10.10*](#) [Allocation Agreement, dated August 4, 2009, between EchoStar Corporation and DISH Network Corporation \(incorporated by reference from Exhibit 10.4 to EchoStar Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed November 9, 2009, Commission File No. 001-33807\).](#)
- [10.11*](#) [Form A Amendment to Form of Satellite Transponder Service Agreement between EchoStar Corporation and DISH Network L.L.C. \(incorporated by reference to Exhibit 10.34 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).](#)
- [10.12*](#) [Form B Amendment to Form of Satellite Transponder Service Agreement between EchoStar Satellite Services L.L.C. and DISH Network L.L.C. \(incorporated by reference to Exhibit 10.35 to EchoStar Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).](#)

- 10.13* [EchoStar XVI Satellite Transponder Service Agreement between EchoStar Satellite Operating Corporation and DISH Network L.L.C., effective December 21, 2009 \(incorporated by reference to Exhibit 10.36 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2009, filed March 1, 2010, Commission File No. 001-33807\).***](#)
- 10.14* [Employment Agreement, dated as of April 23, 2005 between Hughes Network Systems, LLC and Pradman Kaul \(incorporated by reference to Exhibit 10.3 to Hughes Communications Inc.'s Registration Statement on Form S-1, filed December 5, 2005, Commission File No. 333-130136\).**](#)
- 10.15* [Amendment to Employment Agreement, dated as of December 23, 2010 between Hughes Communications, Inc. and Pradman Kaul \(incorporated by reference to Exhibit 10.29 to Hughes Communications Inc.'s Annual Report on Form 10-K, filed March 7, 2011, Commission File No. 001-33040\).**](#)
- 10.16* [Amendment to Employment Agreement, dated as of April 1, 2016, between Hughes Communications, Inc. and Pradman Kaul \(incorporated by reference to Exhibit 10.1 EchoStar Corporation's Current Report on Form 8-K, filed April 6, 2016, Commission File No. 001-33807\).**](#)
- 10.17* [First Amendment to EchoStar XVI Satellite Transponder Service Agreement, dated as of December 21, 2012 between EchoStar Satellite Operating Corporation and DISH Network L.L.C. \(incorporated by reference to Exhibit 10.47 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 20, 2013, Commission File No. 001-33807\).***](#)
- 10.18* [Form of Satellite Transponder Service Agreement by and between EchoStar Satellite Operating Corporation and DISH Operating L.L.C \(incorporated by reference to Exhibit 10.3 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed May 9, 2014, Commission File No. 001-33807\).](#)
- 10.19* [Form of Restricted Stock Unit Agreement for 2008 Stock Incentive Plan — Executive or Director \(incorporated by reference to Exhibit 10.1 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, filed November 6, 2015, Commission File No. 001-33807\).**](#)
- 10.20* [Form of Stock Option Agreement for 2008 Stock Incentive Plan \(1999\) \(incorporated by reference to Exhibit 10.39 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.21* [Form of Stock Option Agreement for 2008 Stock Incentive Plan — Employee \(2008\) \(incorporated by reference to Exhibit 10.40 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.22* [Form of Stock Option Agreement for 2008 Stock Incentive Plan — Executive \(2008\) \(incorporated by reference to Exhibit 10.41 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.23* [Form of Stock Option Agreement for 2008 Stock Incentive Plan — Employee \(2014\) \(incorporated by reference to Exhibit 10.42 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.24* [Form of Stock Option Agreement for 2008 Stock Incentive Plan — Executive \(2014\) \(incorporated by reference to Exhibit 10.43 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.25* [Form of Non-Employee Director Stock Option Agreement for 2008 Non-Employee Director Stock Option Plan \(incorporated by reference to Exhibit 10.44 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\). **](#)
- 10.26* [Form of Restricted Stock Unit Agreement for 2008 Stock Incentive Plan — Executive or Director \(2011\) \(incorporated by reference to Exhibit 10.45 to EchoStar Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 24, 2016, Commission File No. 001-33807\).**](#)
- 10.27* [EchoStar Corporation Executive Officer Bonus Incentive Plan, dated as of May 4, 2016 \(incorporated by reference to Exhibit 10.1 to EchoStar Corporation's Current Report on Form 8-K, filed May 5, 2016, Commission File No. 001-33807\).**](#)

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<u>10.28*</u>	<u>Share Exchange Agreement among DISH Network Corporation, DISH Network L.L.C., DISH Operating L.L.C., EchoStar Corporation, EchoStar Broadcasting Holding Parent L.L.C., EchoStar Broadcasting Holding Corporation, EchoStar Technologies Holding Corporation, and EchoStar Technologies L.L.C. (incorporated by reference to Exhibit 10.1 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, filed May 10, 2017, Commission File No. 001-33807***/*</u>
<u>10.29*</u>	<u>EchoStar Corporation 2017 Stock Incentive Plan (incorporated by reference to EchoStar Corporation's Definitive Proxy Statement on Form 14, filed March 23, 2017, Commission File No. 001-33807).**</u>
<u>10.30*</u>	<u>EchoStar Corporation 2017 Non-Employee Director Stock Incentive Plan (incorporated by reference to EchoStar Corporation's Definitive Proxy Statement on Form 14, filed March 23, 2017, Commission File No. 001-33807).**</u>
<u>10.31*</u>	<u>Amended and Restated EchoStar Corporation 2017 Employee Stock Purchase Plan (incorporated by reference to EchoStar Corporation's Definitive Proxy Statement on Form 14, filed March 23, 2017, Commission File No. 001-33807).**</u>
<u>10.32*</u>	<u>EchoStar Non-Qualified Plan -- Executive Plan and Adoption Agreement, as amended (incorporated by reference to Exhibit 10.1 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 9, 2017, Commission File No. 001-33807).**</u>
<u>10.33*</u>	<u>Form of Stock Option Agreement for the EchoStar Corporation 2017 Stock Incentive Plan - Employee (2017) (incorporated by reference to Exhibit 10.2 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 9, 2017, Commission File No. 001-33807).**</u>
<u>10.34*</u>	<u>Form of Stock Option Agreement for the EchoStar Corporation 2017 Stock Incentive Plan - Executive (2017) (incorporated by reference to Exhibit 10.3 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 9, 2017, Commission File No. 001-33807).**</u>
<u>10.35*</u>	<u>Form of Non-Employee Director Stock Option Agreement for the EchoStar Corporation 2017 Non-Employee Director Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 9, 2017, Commission File No. 001-33807).**</u>
<u>10.36*</u>	<u>Form of Restricted Stock Unit Agreement for the EchoStar Corporation 2017 Stock Incentive Plan - Executive (2017) (incorporated by reference to Exhibit 10.5 to EchoStar Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed August 9, 2017, Commission File No. 001-33807).**</u>
<u>21(H)</u>	<u>Subsidiaries of EchoStar Corporation.</u>
<u>23(H)</u>	<u>Consent of KPMG LLP, Independent Registered Public Accounting Firm.</u>
<u>24(H)</u>	<u>Powers of Attorney of Charles W. Ergen, R. Stanton Dodge, Anthony M. Federico, Pradman P. Kaul, Tom A. Ortolf, C. Michael Schroeder and William David Wade.</u>
<u>99.1(I)</u>	<u>Press release dated February 22, 2018 issued by EchoStar Corporation regarding financial results for the quarter and full year ended December 31, 2017.</u>
<u>31.1(H)</u>	<u>Section 302 Certification of Chief Executive Officer.</u>
<u>31.2(H)</u>	<u>Section 302 Certification of Chief Financial Officer.</u>
<u>32.1(I)</u>	<u>Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.</u>
<u>101.SCH</u>	<u>XBRL Taxonomy Extension Schema.</u>
<u>101.CAL</u>	<u>XBRL Taxonomy Extension Calculation Linkbase.</u>
<u>101.DEF</u>	<u>XBRL Taxonomy Extension Definition Linkbase.</u>
<u>101.LAB</u>	<u>XBRL Taxonomy Extension Label Linkbase.</u>

101.PRE XBRL Taxonomy Extension Presentation Linkbase.

(H) Filed herewith.

(I) Furnished herewith

* Incorporated by reference.

** Constitutes a management contract or compensatory plan or arrangement.

*** Certain portions of the exhibit have been omitted and separately filed with the Securities and Exchange Commission with a request for confidential treatment.

**** Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We agree to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule or exhibit upon request, subject to our right to request confidential treatment of any requested schedule or exhibit.

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ECHOSTAR CORPORATION

By: /s/ David J. Rayner
David J. Rayner
Executive Vice President,
Chief Financial Officer,
Chief Operating Officer, and
Treasurer

Date: February 22, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Michael T. Dugan</u> Michael T. Dugan	Chief Executive Officer, President and Director (Principal Executive Officer)	February 22, 2018
<u>/s/ David J. Rayner</u> David J. Rayner	Executive Vice President, Chief Financial Officer, Chief Operating Officer and Treasurer (Principal Financial and Accounting Officer)	February 22, 2018
<u>*</u> Charles W. Ergen	Chairman	February 22, 2018
<u>*</u> R. Stanton Dodge	Director	February 22, 2018
<u>*</u> Anthony M. Federico	Director	February 22, 2018
<u>*</u> Pradman P. Kaul	Director	February 22, 2018
<u>*</u> Tom A. Ortolf	Director	February 22, 2018
<u>*</u> C. Michael Schroeder	Director	February 22, 2018
<u>*</u> William David Wade	Director	February 22, 2018

* By: /s/ Dean A. Manson
Dean A. Manson
Attorney-in-Fact

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Report of Independent Registered Public Accounting Firm

To the stockholders and board of directors
EchoStar Corporation:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of EchoStar Corporation and subsidiaries (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and financial statement schedule II listed in Item 15, collectively, the “consolidated financial statements.” We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for excess tax benefits and deficiencies related to share-based payment awards in 2017 due to the adoption of Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

Basis for Opinion

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on the Company’s consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Denver, Colorado

February 22, 2018

ECHOSTAR CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	As of December 31,	
	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,431,456	\$ 2,570,365
Marketable investment securities, at fair value	814,161	522,516
Trade accounts receivable, net of allowance for doubtful accounts of \$12,027 and \$12,956, respectively	196,840	182,527
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	43,295	19,417
Inventory	83,595	62,620
Prepays and deposits	54,533	43,456
Other current assets	91,574	10,862
Current assets of discontinued operations	97	311,524
Total current assets	3,715,551	3,723,287
Noncurrent Assets:		
Property and equipment, net of accumulated depreciation of \$2,661,129 and \$2,598,492, respectively	3,465,471	3,398,195
Regulatory authorizations, net	536,936	544,633
Goodwill	504,173	504,173
Other intangible assets, net	58,955	80,734
Investments in unconsolidated entities	161,427	171,016
Other receivable - DISH Network	92,687	90,586
Other noncurrent assets, net	214,814	179,311
Noncurrent assets of discontinued operations	—	316,924
Total noncurrent assets	5,034,463	5,285,572
Total assets	\$ 8,750,014	\$ 9,008,859
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	\$ 108,406	\$ 170,297
Trade accounts payable - DISH Network	4,753	1,072
Current portion of long-term debt and capital lease obligations	40,631	32,984
Deferred revenue and prepayments	65,959	59,989
Accrued interest	47,616	46,487
Accrued compensation	47,756	53,454
Accrued expenses and other	98,227	95,726
Current liabilities of discontinued operations	542	71,429
Total current liabilities	413,890	531,438
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of unamortized debt issuance costs	3,594,213	3,622,463
Deferred tax liabilities, net	436,023	746,667
Other noncurrent liabilities	128,503	90,785
Noncurrent liabilities of discontinued operations	—	10,701
Total noncurrent liabilities	4,158,739	4,470,616
Total liabilities	4,572,629	5,002,054
Commitments and Contingencies (Note 16)		
Stockholders' Equity:		
Preferred stock, \$.001 par value, 20,000,000 shares authorized:		
Hughes Retail Preferred Tracking Stock, \$.001 par value, zero authorized, issued and outstanding at December 31, 2017 and 13,000,000 shares authorized and 6,290,499 issued and outstanding at December 31, 2016	—	6
Common stock, \$.001 par value, 4,000,000,000 shares authorized:		
Class A common stock, \$.001 par value, 1,600,000,000 shares authorized, 53,663,859 shares issued and 48,131,541 shares outstanding at December 31, 2017 and 52,243,465 shares issued and 46,711,147 shares outstanding at December 31, 2016	54	52
Class B convertible common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of December 31, 2017 and 2016	48	48
Class C convertible common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of December 31, 2017 and 2016	—	—
Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of December 31, 2017 and 2016	—	—
Additional paid-in capital	3,669,461	3,828,677
Accumulated other comprehensive loss	(130,154)	(124,803)
Accumulated earnings	721,316	314,247
Treasury stock, at cost	(98,162)	(98,162)
Total EchoStar stockholders' equity	4,162,563	3,920,065

Noncontrolling interest in HSS Tracking Stock	—	73,910
Other noncontrolling interests	14,822	12,830
Total stockholders' equity	4,177,385	4,006,805
Total liabilities and stockholders' equity	<u>\$ 8,750,014</u>	<u>\$ 9,008,859</u>

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

ECHOSTAR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Years Ended December 31,		
	2017	2016	2015
Revenue:			
Services and other revenue - other	\$ 1,200,321	\$ 1,100,828	\$ 1,093,674
Services and other revenue - DISH Network	445,698	463,442	532,162
Equipment revenue - other	239,199	237,356	212,269
Equipment revenue - DISH Network	290	8,840	10,752
Total revenue	1,885,508	1,810,466	1,848,857
Costs and Expenses:			
Cost of sales - services and other (exclusive of depreciation and amortization)	546,327	521,220	574,400
Cost of sales - equipment (exclusive of depreciation and amortization)	212,170	203,965	195,360
Selling, general and administrative expenses	366,007	325,044	318,136
Research and development expenses	31,745	31,170	26,377
Depreciation and amortization	522,190	432,904	460,819
Impairment of long-lived assets	10,762	—	—
Total costs and expenses	1,689,201	1,514,303	1,575,092
Operating income	196,307	296,163	273,765
Other Income (Expense):			
Interest income	44,619	21,244	10,388
Interest expense, net of amounts capitalized	(217,240)	(123,481)	(121,995)
Gains (losses) on investments, net	56,751	9,767	(6,443)
Other-than-temporary impairment loss on available-for-sale securities	(3,298)	—	(11,226)
Equity in earnings (losses) of unconsolidated affiliates, net	16,973	10,802	(2,477)
Other, net	6,582	2,131	(2,685)
Total other expense, net	(95,613)	(79,537)	(134,438)
Income from continuing operations before income taxes	100,694	216,626	139,327
Income tax benefit (provision), net	284,286	(80,254)	(51,235)
Net income from continuing operations	384,980	136,372	88,092
Net income from discontinued operations	8,509	44,320	61,279
Net income	393,489	180,692	149,371
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(655)	(944)	(5,603)
Less: Net income attributable to other noncontrolling interests	1,583	1,706	1,617
Net income attributable to EchoStar	392,561	179,930	153,357
Less: Net loss attributable to Hughes Retail Preferred Tracking Stock	(1,209)	(1,743)	(10,343)
Net income attributable to EchoStar common stock	\$ 393,770	\$ 181,673	\$ 163,700
Amounts attributable to EchoStar common stock:			
Net income from continuing operations	\$ 385,261	\$ 137,353	\$ 102,421
Net income from discontinued operations	8,509	44,320	61,279
Net income attributable to EchoStar common stock	\$ 393,770	\$ 181,673	\$ 163,700
Weighted-average common shares outstanding - Class A and B common stock:			
Basic	95,425	93,795	92,397
Diluted	96,741	94,410	93,466
Earnings per share - Class A and B common stock:			
Basic:			
Continuing operations	\$ 4.04	\$ 1.46	\$ 1.11
Discontinued operations	0.09	0.48	0.66
Total basic earnings per share	\$ 4.13	\$ 1.94	\$ 1.77
Diluted:			
Continuing operations	\$ 3.98	\$ 1.45	\$ 1.10
Discontinued operations	0.09	0.47	0.65
Total diluted earnings per share	\$ 4.07	\$ 1.92	\$ 1.75

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

ECHOSTAR CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share amounts)

	For the Years Ended December 31,		
	2017	2016	2015
Comprehensive Income:			
Net income	\$ 393,489	\$ 180,692	\$ 149,371
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	16,413	(11,315)	(62,731)
Recognition of foreign currency translation loss in net income	—	—	1,889
Unrealized gains (losses) on available-for-sale securities and other	(21,895)	9,149	(12,046)
Recognition of realized gains on available-for-sale securities in net income	(2,758)	(5,590)	(35)
Recognition of other-than-temporary impairment loss on available-for-sale securities in net income	3,298	—	11,226
Total other comprehensive loss, net of tax	(4,942)	(7,756)	(61,697)
Comprehensive income	388,547	172,936	87,674
Less: Comprehensive loss attributable to noncontrolling interest in HSS Tracking Stock	(655)	(944)	(5,603)
Less: Comprehensive income attributable to other noncontrolling interests	1,992	1,520	1,297
Comprehensive income attributable to EchoStar	<u>\$ 387,210</u>	<u>\$ 172,360</u>	<u>\$ 91,980</u>

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

ECHOSTAR CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands)

	Class A and B Common Stock	Hughes Retail Preferred Tracking Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Treasury Stock	Noncontrolling Interest in HSS Tracking Stock	Other Noncontrolling Interests	Total
Balance, January 1, 2015	\$ 98	\$ 6	\$ 3,706,122	\$ (55,856)	\$ (19,040)	\$ (98,162)	\$ 80,457	\$ 10,013	\$ 3,623,638
Issuances of Class A common stock:									
Exercise of stock options	1	—	24,840	—	—	—	—	—	24,841
Employee benefits	—	—	10,711	—	—	—	—	—	10,711
Employee Stock Purchase Plan	—	—	13,888	—	—	—	—	—	13,888
Stock-based compensation	—	—	21,839	—	—	—	—	—	21,839
Excess tax benefit from stock option exercises	—	—	3,929	—	—	—	—	—	3,929
R&D tax credits utilized by DISH Network	—	—	(3,048)	—	—	—	—	—	(3,048)
Other, net	—	—	(1,830)	76	—	—	—	—	(1,754)
Net income (loss)	—	—	—	—	153,357	—	(5,603)	1,617	149,371
Foreign currency translation adjustment	—	—	—	(60,522)	—	—	—	(320)	(60,842)
Unrealized losses and impairment on available-for-sale securities, net	—	—	—	(931)	—	—	—	—	(931)
Balance, December 31, 2015	99	6	3,776,451	(117,233)	134,317	(98,162)	74,854	11,310	3,781,642
Issuances of Class A common stock:									
Exercise of stock options	1	—	13,065	—	—	—	—	—	13,066
Employee benefits	—	—	11,126	—	—	—	—	—	11,126
Employee Stock Purchase Plan	—	—	14,367	—	—	—	—	—	14,367
Stock-based compensation	—	—	15,234	—	—	—	—	—	15,234
Excess tax benefit from stock option exercises	—	—	848	—	—	—	—	—	848
R&D tax credits utilized by DISH Network	—	—	(1,600)	—	—	—	—	—	(1,600)
Other, net	—	—	(814)	(64)	—	—	—	—	(878)
Net income (loss)	—	—	—	—	179,930	—	(944)	1,706	180,692
Foreign currency translation adjustment	—	—	—	(11,129)	—	—	—	(186)	(11,315)
Unrealized gains on available-for-sale securities, net	—	—	—	3,623	—	—	—	—	3,623
Balance, December 31, 2016	100	6	3,828,677	(124,803)	314,247	(98,162)	73,910	12,830	4,006,805
Issuances of Class A common stock:									
Exercise of stock options	2	—	36,503	—	—	—	—	—	36,505
Employee benefits	—	—	11,200	—	—	—	—	—	11,200
Employee Stock Purchase Plan	—	—	8,758	—	—	—	—	—	8,758
Stock-based compensation	—	—	10,103	—	—	—	—	—	10,103
R&D tax credits utilized by DISH Network	—	—	1,624	—	—	—	—	—	1,624
Cumulative effect of adoption of ASU 2016-09 as of January 1, 2017	—	—	—	—	14,508	—	—	—	14,508
Reacquisition and retirement of Tracking Stock pursuant to Share Exchange Agreement	—	(6)	(227,278)	—	—	—	(73,255)	—	(300,539)
Other, net	—	—	(126)	92	—	—	—	—	(34)
Net income (loss)	—	—	—	—	392,561	—	(655)	1,583	393,489
Foreign currency translation adjustment	—	—	—	16,004	—	—	—	409	16,413
Unrealized gains and impairment on available-for-sale securities, net	—	—	—	(21,447)	—	—	—	—	(21,447)
Balance, December 31, 2017	\$ 102	\$ —	\$ 3,669,461	\$ (130,154)	\$ 721,316	\$ (98,162)	\$ —	\$ 14,822	\$ 4,177,385

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

ECHOSTAR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Cash Flows from Operating Activities:			
Net income	\$ 393,489	\$ 180,692	\$ 149,371
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	533,849	495,068	528,158
Impairment of long-lived assets	10,762	—	2,400
Equity in earnings of unconsolidated affiliates, net	(15,814)	(13,310)	(1,895)
Losses (gains) and impairment on marketable investment securities, net	(53,453)	(9,767)	17,669
Loss from partial redemption of debt	—	—	5,044
Stock-based compensation	10,103	15,234	21,839
Deferred tax provision (benefit)	(288,577)	98,148	56,132
Dividends received from unconsolidated entities	19,000	15,000	5,000
Proceeds from sale of trading securities	8,922	7,140	380
Changes in current assets and current liabilities, net:			
Trade accounts receivable, net	421	(26,942)	(38,452)
Trade accounts receivable - DISH Network	235,227	(1,456)	(25,490)
Inventory	(19,291)	(4,814)	(4,906)
Other current assets	(15,352)	2,263	6,499
Trade accounts payable	(78,419)	(24,571)	37,228
Trade accounts payable - DISH Network	731	(19,650)	(7,792)
Accrued expenses and other	11,993	55,998	1,477
Changes in noncurrent assets and noncurrent liabilities, net	(36,975)	9,459	1,616
Other, net	10,276	24,851	22,173
Net cash flows from operating activities	<u>726,892</u>	<u>803,343</u>	<u>776,451</u>
Cash Flows from Investing Activities:			
Purchases of marketable investment securities	(855,717)	(921,247)	(536,430)
Sales and maturities of marketable investment securities	578,051	1,001,166	1,057,034
Expenditures for property and equipment	(583,211)	(722,341)	(809,270)
Refunds and other receipts related to capital expenditures	4,311	24,087	105,750
Sale of investment in unconsolidated entity	17,781	—	—
Investments in unconsolidated entities	—	(1,636)	(64,655)
Expenditures for externally marketed software	(31,331)	(23,252)	(22,327)
Other, net	2,114	10,956	(5,413)
Net cash flows from investing activities	<u>(868,002)</u>	<u>(632,267)</u>	<u>(275,311)</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	—	1,500,000	—
Payments of debt issuance costs	(414)	(7,097)	—
Repayment of 6 1/2% Senior Secured Notes Due 2019 and related premium	—	—	(113,300)
Repayment of debt and capital lease obligations	(37,670)	(40,364)	(44,804)
Net proceeds from Class A common stock options exercised	35,536	13,065	24,841
Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan	8,758	14,367	13,888
Cash exchanged for Tracking Stock	(651)	—	—
Other, net	(5,487)	(4,282)	(882)
Net cash flows from financing activities	<u>72</u>	<u>1,475,689</u>	<u>(120,257)</u>
Effect of exchange rates on cash and cash equivalents	1,351	138	(5,696)
Net increase (decrease) in cash and cash equivalents	(139,687)	1,646,903	375,187
Cash and cash equivalents, beginning of period	2,571,143	924,240	549,053
Cash and cash equivalents, end of period	<u>\$ 2,431,456</u>	<u>\$ 2,571,143</u>	<u>\$ 924,240</u>
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest (including capitalized interest)	<u>\$ 259,632</u>	<u>\$ 172,707</u>	<u>\$ 179,114</u>
Capitalized interest	<u>\$ 52,015</u>	<u>\$ 94,395</u>	<u>\$ 63,808</u>
Cash paid for income taxes	<u>\$ 11,033</u>	<u>\$ 11,700</u>	<u>\$ 6,394</u>
Employee benefits paid in Class A common stock	<u>\$ 11,200</u>	<u>\$ 11,126</u>	<u>\$ 10,711</u>
Property and equipment financed under capital lease obligations	<u>\$ 8,484</u>	<u>\$ 7,652</u>	<u>\$ 8,604</u>
Increase (decrease) in capital expenditures included in accounts payable, net	<u>\$ (3,831)</u>	<u>\$ 3,054</u>	<u>\$ (7,123)</u>
Transfer of EchoStar 105/SES-11 payloads to SES in exchange for receivable	<u>\$ 77,524</u>	<u>\$ —</u>	<u>\$ —</u>

Capitalized in-orbit incentive obligations	\$ 43,890	\$ —	\$ —
Noncash net assets exchanged for Tracking Stock	\$ 299,888	\$ —	\$ —

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

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Business Activities

Principal Business

EchoStar Corporation (which, together with its subsidiaries, is referred to as “EchoStar,” the “Company,” “we,” “us” and/or “our”) is a holding company that was organized in October 2007 as a corporation under the laws of the State of Nevada. We are a global provider of satellite service operations, video delivery solutions, broadband satellite technologies and broadband internet services for home and small office customers. We also deliver innovative network technologies, managed services, and various communications solutions for aeronautical, enterprise and government customers. Our Class A common stock is publicly traded on the Nasdaq Global Select Market (“Nasdaq”) under the symbol “SATS.”

In February 2014, EchoStar Corporation entered into agreements with certain subsidiaries of DISH Network Corporation (“DISH”) pursuant to which, effective March 1, 2014, (i) EchoStar Corporation and our subsidiary Hughes Satellite Systems Corporation (“HSS”) issued the Tracking Stock (as defined below) to subsidiaries of DISH in exchange for five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI, and EchoStar XIV) (including the assumption of related in-orbit incentive obligations) and approximately \$11.4 million in cash, and (ii) DISH and certain of its subsidiaries began receiving certain satellite services on these five satellites from us (the “Satellite and Tracking Stock Transaction”). The Tracking Stock tracked the economic performance of the residential retail satellite broadband business of our Hughes segment, including certain operations, assets and liabilities attributed to such business (collectively, the “Hughes Retail Group” or “HRG”), and represented an aggregate 80.0% economic interest in HRG (the Hughes Retail Preferred Tracking Stock issued by EchoStar Corporation (the “EchoStar Tracking Stock”) represented a 51.89% economic interest in HRG and the Hughes Retail Preferred Tracking Stock issued by HSS (the “HSS Tracking Stock”, together with the EchoStar Tracking Stock, the “Tracking Stock”) represented a 28.11% economic interest in the Hughes Retail Group). In addition to the remaining 20.0% economic interest in HRG, EchoStar retained all economic interest in the wholesale satellite broadband business and other businesses of EchoStar.

On January 31, 2017, EchoStar Corporation and certain of its subsidiaries entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with DISH and certain of its subsidiaries. Pursuant to the Share Exchange Agreement, on February 28, 2017, among other things, EchoStar Corporation and certain of its subsidiaries received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets (collectively, the “Share Exchange”). Our former EchoStar Technologies businesses designed, developed and distributed secure end-to-end video technology solutions including digital set-top boxes and related products and technology, primarily for satellite TV service providers and telecommunication companies and provided digital broadcast operations, including satellite uplinking/downlinking, transmission services, signal processing, conditional access management and other services. Following consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated and are of no further effect. As a result of the Share Exchange, the consolidated financial statements of the EchoStar Technologies businesses have been presented as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. See Note 3 for further discussion of our discontinued operations.

We currently operate in the following two business segments:

- **Hughes** — which provides broadband satellite technologies and broadband internet services to domestic and international home and small office customers and broadband network technologies, managed services, equipment, hardware, satellite services and communication solutions to domestic and international consumers and aeronautical, enterprise and government customers. The Hughes segment also designs, provides and installs gateway and terminal equipment to customers for other satellite systems. In addition, our Hughes segment provides satellite ground segment systems and terminals to mobile system operators.
- **EchoStar Satellite Services (“ESS”)** — which uses certain of our owned and leased in-orbit satellites and related licenses to provide satellite service operations and video delivery solutions on a full-time and occasional-use basis primarily to DISH Network Corporation and its subsidiaries (“DISH Network”), Dish Mexico, S. de R.L. de C.V., a joint venture we entered into in 2008 (“Dish Mexico”), United States (“U.S.”) government service providers, internet service providers, broadcast news organizations, programmers, and private enterprise customers. ESS also manages satellite operations for certain satellites owned by DISH Network.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Our operations also include various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments. These activities, costs and income are accounted for in “Corporate and Other.”

In 2008, DISH Network completed its distribution to us of its digital set-top box business, certain infrastructure, and other assets and related liabilities, including certain of its satellites, uplink and satellite transmission assets, and real estate (the “Spin-off”). Since the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies. Prior to February 28, 2017, DISH Network held the Tracking Stock discussed above. A substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH Network Corporation is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

We consolidate all entities in which we have a controlling financial interest. We are deemed to have a controlling financial interest in variable interest entities where we are the primary beneficiary. We are deemed to have a controlling financial interest in other entities when we own more than 50 percent of the outstanding voting shares and other shareholders do not have substantive rights to participate in management. For entities we control but do not wholly own, we record a noncontrolling interest within stockholders’ equity for the portion of the entity’s equity attributed to the noncontrolling ownership interests. As of December 31, 2016, noncontrolling interests consist primarily of HSS Tracking Stock owned by DISH Network, as described in Note 4 below. As a result of the Share Exchange, the noncontrolling interest in the HSS Tracking Stock was extinguished as of February 28, 2017. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Foreign Currency

The functional currency for certain of our foreign operations is determined to be the local currency. Accordingly, we translate assets and liabilities of these foreign entities from their local currencies to U.S. dollars using period-end exchange rates and translate income and expense accounts at monthly average rates. The resulting translation adjustments are reported in other comprehensive income (loss) as “Foreign currency translation adjustments” in our consolidated statements of operations. Except in certain uncommon circumstances, we have not recorded deferred income taxes related to our foreign currency translation adjustments.

Gains and losses resulting from re-measurement of monetary assets and liabilities denominated in foreign currencies into the functional currency are recognized in “Other, net” in our consolidated statements of operations. We recognized net forei

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gn currency transaction gains of \$1.2 million, losses of \$0.5 million and losses of \$4.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Cash and Cash Equivalents

We consider all liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash equivalents as of December 31, 2017 and 2016 primarily consisted of commercial paper, government bonds, corporate notes, and money market funds. The amortized cost of these investments approximates their fair value.

Marketable Investment Securities

We classify our marketable investment securities as available for sale, except in instances where we have designated certain securities as trading securities. We report all marketable investment securities at fair value in our consolidated balance sheets. We recognize periodic changes in the fair value of trading securities and realized gains and losses on sale of available-for-sale securities in "Gains (losses) on marketable investment securities," a component of net income, in our consolidated statements of operations. For available-for-sale securities, we recognize periodic changes in the difference between fair value and amortized cost in other comprehensive income (loss). Realized gains and losses upon sale of available-for-sale securities are reclassified from other comprehensive income (loss) and recognized in net income on the trade date. We use the first-in, first-out ("FIFO") method to determine the cost basis on sales of marketable investment securities. Interest and dividend income from marketable investment securities is reported in "Interest income" and "Other, net," respectively, in our consolidated statements of operations. Dividend income is recognized on the ex-dividend date.

We evaluate our available-for-sale securities portfolio on a quarterly basis to determine whether declines in the fair value of these securities are other than temporary. Our evaluation consists of reviewing, among other things:

- the fair value of each security compared to its amortized cost;
- the length of time and the extent to which the fair value of a security has been lower than amortized cost;
- the historical volatility of the price of each security;
- any market and company-specific factors related to each security; and
- our intent and ability to hold the investment to recovery.

Where the fair value of a debt security has declined below its amortized cost, we consider the decline to be other than temporary if any of the following factors apply:

- we intend to sell the security,
- it is more likely than not that we will be required to sell the security before maturity or recovery, or
- we do not expect to recover the security's entire amortized cost basis, even if there is no intent to sell the security.

Declines in the fair value of available-for-sale securities that are determined to be other than temporary are reclassified from other comprehensive income (loss) and recognized in net income, thus establishing a new cost basis for the investment.

Investments in Unconsolidated Entities — Cost and Equity Method

We use the equity method to account for equity investments in entities that we do not control but have the ability to significantly influence the operating decisions of the investee. We use the cost method when we do not have the ability to significantly influence the operating decisions of the investee.

Generally, our equity investments accounted for using either the equity method or cost method are not publicly traded and it is not practicable to regularly estimate the fair value of such investments. We evaluate these equity investments on a quarterly basis to determine whether an event or changes in circumstances has occurred that may have a significant adverse effect on the fair value of the investment. As part of our evaluation, we review available information such as business plans and current financial statements of these companies for factors that may indicate an impairment of our investments. Such factors may include, but are not limited to, unprofitable operations, negative cash flow, material litigation, violations of debt covenants, bankruptcy and changes in business strategy. When we determine that an investment is impaired, and the impairment is other

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than temporary, we adjust the carrying amount of the investment to its estimated fair value and recognize the impairment loss in net income.

Generally, equity method investments are initially recorded at cost and subsequently adjusted for our proportionate share of the net earnings or loss of the investee, which is reported in "Equity in earnings (losses) of unconsolidated affiliates, net" in our consolidated statements of operations. The carrying amount of our investments may include a component of goodwill if the cost of our investment exceeds the fair value of the underlying identifiable assets and liabilities of the investee. Dividends received from equity method investees reduce the carrying amount of the investment. We defer, to the extent of our ownership interest in the investee, recognition of intra-entity profits on sales of equipment to the investee until the investee has charged the cost of the equipment to expense in a subsequent sale to a third party or through depreciation. In these circumstances, we report the gross amounts of revenue and cost of sales in the statement of operations and include the intra-entity profit eliminations within "Equity in earnings (losses) of unconsolidated affiliates, net."

Accounts Receivable

We make ongoing estimates relating to the collectibility of our accounts receivable and maintain an allowance for estimated losses resulting from the inability of our customers to make required payments. In determining the amount of the allowance, we consider historical levels of credit losses and make judgments about the creditworthiness of significant customers based on ongoing credit evaluations.

Inventory

Inventory is stated at the lower of cost, determined using the FIFO method, or net realizable value. Cost of inventory consists primarily of materials, direct labor and indirect overhead incurred in the procurement and manufacturing of our products. We use standard costing methodologies in determining the cost of certain of our finished goods and work-in-process inventories. We determine net realizable value using our best estimates of future use or recovery, considering the aging and composition of inventory balances, the effects of technological and/or design changes, forecasted future product demand based on firm or near-firm customer orders, and alternative means of disposition of excess or obsolete items. We recognize losses within operating income when we determine that the cost of inventory and commitments to purchase inventory exceed net realizable value.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. The cost of our satellites includes construction costs, including the present value of in-orbit incentives payable to the satellite manufacturer, launch costs, capitalized interest, and related insurance premiums. Depreciation is recorded on a straight-line basis over lives ranging from one to 40 years. Repair and maintenance costs are charged to expense when incurred. Costs of renewals and betterments are capitalized.

Impairment of Long-lived Assets

We review our long-lived assets for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The evaluation is performed at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For assets held and used in operations, the asset is not recoverable if the carrying amount of the asset exceeds its undiscounted estimated future net cash flows. When an asset is not recoverable, we adjust the carrying amount of such asset to its estimated fair value and recognize the impairment loss in net income. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the estimated fair value assigned to the identifiable assets acquired and liabilities assumed. We do not amortize goodwill, but test goodwill for impairment annually, or more frequently if circumstances indicate impairment may exist. Our goodwill as of December 31, 2017 and 2016 is assigned to reporting units of our Hughes segment. We test such goodwill for impairment in the second fiscal quarter. The goodwill impairment test involves a comparison of the fair value of a reporting unit with its carrying amount, including goodwill. We typically estimate fair value of reporting units using discounted cash flow techniques, which includes significant assumptions about prospective financial information, terminal value and discount rates (Level 3 inputs). If the reporting unit's carrying amount exceeds its estimated fair value, we recognize an impairment loss equal to such excess, not to exceed the carrying amount of goodwill. We may

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bypass the quantitative goodwill impairment test if we determine, based on a qualitative assessment, that it is more likely than not that the fair value of a reporting unit exceeds its carrying amount including goodwill.

Regulatory Authorizations and Other Intangible Assets

At acquisition and periodically thereafter, we evaluate our intangible assets to determine whether their useful lives are finite or indefinite. We consider our intangible assets to have indefinite lives when no significant legal, regulatory, contractual, competitive, economic, or other factors limit their useful lives.

Intangible assets that have finite lives are amortized over their estimated useful lives, ranging from approximately one to 30 years. When we expect to incur significant costs to renew or extend finite-lived intangible assets, we amortize the total initial and estimated renewal costs over the combined initial and expected renewal terms. In such instances, actual renewal costs are capitalized when they are incurred. We test intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable, as discussed above under “Impairment of Long-lived Assets.”

We do not amortize our indefinite-lived intangible assets, but test those assets for impairment annually or more frequently if circumstances indicate that it is more likely than not that the asset may be impaired. Costs incurred to maintain or renew indefinite-lived intangible assets are expensed as incurred.

Our indefinite-lived intangible assets include Federal Communications Commission (“FCC”) authorizations and certain other contractual or regulatory rights to use spectrum at specified orbital locations (collectively “Regulatory Authorizations”). We have determined that our FCC authorizations generally have indefinite useful lives due to the following:

- FCC authorizations are non-depleting assets;
- renewal satellite applications generally are authorized by the FCC subject to certain conditions, without substantial cost under a stable regulatory, legislative, and legal environment;
- expenditures required to maintain the authorization are not significant; and
- we intend to use these authorizations indefinitely.

Our non-FCC Regulatory Authorizations consist primarily of authorizations in Europe and Brazil that we acquired in 2013 and 2012, respectively. We have determined that those Regulatory Authorizations have finite lives due to uncertainties about the ability to extend or renew their terms.

Income Taxes

We recognize a provision or benefit for income taxes currently payable or receivable and for income tax amounts deferred to future periods. Deferred tax assets and liabilities are recorded based on enacted tax laws for the estimated future tax effects of differences that exist between the financial reporting carrying amount and tax basis of assets and liabilities. Deferred tax assets are offset by valuation allowances when we determine it is more likely than not that such deferred tax assets will not be realized in the foreseeable future. We determine deferred tax assets and liabilities separately for each taxing jurisdiction and report the net amount for each jurisdiction as a noncurrent asset or liability in our consolidated balance sheets.

From time to time, we engage in transactions where the income tax consequences are uncertain. We recognize tax benefits when, in management’s judgment, a tax filing position is more likely than not to be sustained if challenged by the tax authorities. For tax positions that meet the more-likely-than-not threshold, we may not recognize a portion of a tax benefit depending on management’s assessment of how the tax position will ultimately be settled. Unrecognized tax benefits generally are netted against the deferred tax assets associated with our net operating loss carryforwards. We adjust our estimates periodically based on ongoing examinations by and settlements with various taxing authorities, as well as changes in tax laws, regulations and precedent. We classify interest and penalties, if any, associated with our unrecognized tax benefits as a component of income tax provision or benefit.

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Fair Value Measurements

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

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- Level 2, defined as observable inputs other than quoted prices included in Level 1, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with characteristics of the asset or liability that would be considered by market participants in a transaction to purchase or sell the asset or liability.

Transfers between levels in the fair value hierarchy are considered to occur at the beginning of the quarterly accounting period. There were no transfers between levels for each of the years ended December 31, 2017 or 2016.

As of December 31, 2017 and 2016, the carrying amounts of our cash and cash equivalents, trade accounts receivable, net of allowance for doubtful accounts, accounts payable and accrued liabilities were equal to or approximated fair value due to their short-term nature or proximity to current market rates.

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

Fair values for HSS' 6 1/2% Senior Secured Notes due 2019 (the "2019 Senior Secured Notes"), 7 5/8% Senior Unsecured Notes due 2021 (the "2021 Senior Unsecured Notes"), 5.250% Senior Secured Notes due 2026 (the "2026 Senior Secured Notes") and 6.625% Senior Unsecured Notes due 2026 (the "2026 Senior Unsecured Notes" and together with the 2026 Senior Secured Notes, the "2026 Notes") (see Note 11) are based on quoted market prices in less active markets and are categorized as Level 2 measurements. The fair values of our other debt are Level 2 measurements and are estimated to approximate their carrying amounts based on the proximity of their interest rates to current market rates. As of December 31, 2017 and 2016, the fair values of our in-orbit incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of \$112.2 million and \$74.1 million, respectively. We use fair value measurements from time to time in connection with asset impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Revenue Recognition

Revenue from the sale of equipment and services generally is recognized when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectibility is reasonably assured, and the goods have been delivered or services have been rendered. If any of these criteria are not met, revenue recognition is deferred until such time as all of the criteria are met. Revenue from equipment sales generally is recognized upon shipment to customers. Revenue from recurring services generally is recognized ratably over the service term. Upfront fees collected in connection with services to consumer subscribers in our Hughes segment are deferred and recognized as revenue over the estimated subscriber life. We may offer rebates to qualifying new consumer subscribers in our Hughes segment. We reduce related revenue at inception of the subscriber contract based on an estimate of the number of rebates that will be redeemed. Our estimates are based on historical experience and actual sales during the promotion. Services and other revenue includes revenue from leases of satellite capacity and equipment. We

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typically determine based on applicable criteria that our leasing arrangements are operating leases and recognize related revenue on a straight-line basis over the lease term.

In situations where customer offerings represent an arrangement for both services and equipment, revenue elements with standalone value to the customer are separated for revenue recognition purposes based on their selling prices if sold separately. We determine selling prices under a hierarchy that considers vendor-specific objective evidence (“VSOE”), third-party evidence and estimated selling prices. Typically, we derive VSOE from service renewal rates and optional equipment prices specified in customer contracts or we estimate prices based on the gross margin that we ordinarily realize in transactions with similarly situated customers.

In addition to equipment and service offerings, our Hughes segment also enters into contracts to design, develop, and deliver complex telecommunication networks to customers in its enterprise and mobile satellite systems markets. Those contracts require significant effort to develop and construct the network over an extended time period. Revenue from such contracts is recognized using the percentage-of-completion method. Depending on the nature of the arrangement, we measure progress toward contract completion using the cost-to-cost method or the units-of-delivery method. Under the cost-to-cost method, revenue reflects the ratio of costs incurred to estimated total costs at completion multiplied by the total estimated contract revenue. Under the units-of-delivery method, revenue and related costs are recognized as products are delivered based on the expected profit for the entire agreement. Profit margins on long-term contracts are based on estimates of revenue and costs at completion. We review and revise our estimates periodically and recognize related adjustments in the period in which the revisions are made. Estimated losses on contracts are recorded in the period in which they are identified.

We report revenue net of sales taxes imposed on our goods and services in our consolidated statements of operations. Since we primarily act as an agent for the governmental authorities, the amount charged to the customer is collected and remitted directly to the appropriate jurisdictional entity.

Debt Issuance Costs

Costs of issuing debt generally are deferred and amortized utilizing the effective interest method with amortization included in “Interest expense, net of amounts capitalized” in our consolidated statements of operations. We report unamortized debt issuance costs as a reduction of the related long-term debt in our consolidated balance sheets.

Cost of Sales - Services and Equipment

Cost of sales - services primarily consists of costs of satellite capacity and services, hub infrastructure, customer care, wireline and wireless capacity, and direct labor costs associated with the services provided. Costs of sales - services generally are charged to expense as incurred. Cost of sales - equipment primarily consists of inventory costs, including freight and royalties. Cost of sales - equipment generally is recognized as products are delivered to customers and related revenue is recognized.

Research and Development

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

Cost of sales includes research and development costs incurred in connection with customers’ orders of approximately \$27.9 million, \$23.7 million and \$19.6 million for the years ended December 31, 2017, 2016 and 2015, respectively. In addition, we incurred other research and development expenses of approximately \$31.7 million, \$31.2 million and \$26.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Subscriber Acquisition Costs

Subscriber Acquisition Costs (“SAC”) consists of costs paid to third-party dealers and customer service representative commissions on new service activations and hardware upgrades and, in certain cases, the cost of hardware and installation services provided to non-wholesale consumer customers at the inception of service or hardware upgrade. SAC is deferred when a customer enters into a service agreement and is subsequently amortized over the service agreement term in proportion to when the related service revenue is recognized. We monitor the recoverability of deferred SAC and are entitled to an early

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termination fee if the subscriber cancels service prior to the end of the service agreement term. The recoverability of deferred SAC is reasonably assured through the monthly service fee charged to customers, our ability to recover the equipment, and/or our ability to charge an early termination fee. Deferred SAC is included in “Other noncurrent assets, net” in our consolidated balance sheets.

Capitalized Software Costs

Costs related to the procurement and development of software for internal-use and externally marketed software are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Capitalized costs of internal-use software are included in “Property and equipment, net” and capitalized costs of externally marketed software are included in “Other noncurrent assets, net” in our consolidated balance sheets. Externally marketed software generally is installed in the equipment we sell to customers. We conduct software program reviews for externally marketed capitalized software costs at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs are recoverable and to ensure that costs associated with programs that are no longer generating revenue are expensed. As of December 31, 2017 and 2016, the net carrying amount of externally marketed software was \$88.1 million and \$76.3 million, respectively, of which \$19.6 million and \$50.1 million, respectively, is under development and not yet placed in service. We capitalized costs related to the development of externally marketed software of \$31.3 million, \$23.3 million and \$22.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. We recorded amortization expense relating to the development of externally marketed software of \$19.5 million, \$9.7 million and \$8.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. The weighted average useful life of our externally marketed software was approximately four years as of December 31, 2017.

Stock-based Compensation Expense

Stock-based compensation expense is recognized based on the fair value of stock awards ultimately expected to vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Compensation expense for awards with service conditions only is recognized on a straight-line basis over the requisite service period for the entire award. Compensation expense for awards subject to performance conditions is recognized only when satisfaction of the performance condition is probable. We adopted ASU 2016-09 prospectively as of January 1, 2017. This update requires all excess tax benefits and deficiencies to be recognized as income tax expense or benefit and permits an entity to make an entity-wide policy election to either estimate forfeitures or recognize forfeitures as they occur. Upon adoption of this standard as of January 1, 2017, we recorded a \$14.5 million deferred tax asset and a corresponding credit to accumulated earnings for excess tax benefits that had not previously been recognized because the related tax deductions had not reduced taxes payable. We did not change our accounting policy to estimate forfeitures in determining compensation cost.

Advertising Costs

Advertising costs are expensed as incurred and are included in “Selling, general and administrative expenses” in our consolidated statements of operations. We incurred advertising expense of \$64.2 million, \$43.9 million and \$44.3 million for the years ended December 31, 2017, 2016 and 2015, respectively.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”) and has modified the standard thereafter. It outlines a single comprehensive model, codified in Topic 606 of the FASB Accounting Standards Codification, for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” Public entities are required to adopt the new revenue standard in fiscal years beginning after December 15, 2017 and in interim periods within those fiscal years. The standard may be applied either retrospectively to prior periods or as a cumulative-effect adjustment as of the date of adoption.

We adopted ASU 2014-09 on January 1, 2018 using the modified retrospective method for contracts that were not substantially completed as of January 1, 2018. We expect the adoption of the new standard to impact certain up-front fees charged to our customers in our consumer markets, however we do not expect this change to have a material impact on the timing or amount

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of revenue recognition. We expect to record an adjustment as of January 1, 2018 to increase accumulated earnings by approximately \$8.0 million, net of related income taxes as a result of this change. Our consolidated financial statements for the year ended December 31, 2018 and interim periods therein will include disclosures about the effect of the new standard. The prior period results will not be recast to reflect the new standard.

We expect that the adoption of the new standard will impact our operating results primarily due to how we account for commission costs. Historically, we have charged sales commissions to expense as incurred, except for commissions related to the consumer business in our Hughes segment, which are accounted for as SAC as described above. The requirement to defer incremental contract acquisition costs and recognize them over the contract period or expected customer life will result in the recognition of an additional deferred charge on our consolidated balance sheets and corresponding impact to the consolidated statements of operations in future periods. In addition, we historically amortized our sales acquisition costs related to our consumer business in our Hughes segment over the contract term. Under the new guidance, the amortization period for these contract acquisition costs will be over the estimated customer life, which is a longer period of time. We are finalizing our analysis of the effects of ASU 2014-09 on our consolidated financial statements. Subject to completion of our analysis, we expect to record an adjustment as of January 1, 2018 to increase accumulated earnings, and record previously expensed amounts on our balance sheet by approximately \$15.0 million to \$18.0 million, net of related income taxes, primarily to reflect the impact of longer amortization periods for contract acquisition costs.

We expect ASU 2014-09 will have a similar revenue and contract acquisition costs impact on our unconsolidated subsidiaries accounted for as equity method investments, however we are not able to provide an estimate of that impact at this time.

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”). This update substantially revises standards for the recognition, measurement and presentation of financial instruments, including requiring all equity investments, except for investments in consolidated subsidiaries and investments accounted for using the equity method, to be measured at fair value with changes in the fair value recognized through net income. The update permits an entity to elect to measure an equity security without a readily determinable fair value at its cost, adjusted for changes resulting from impairments and observable price changes in orderly transactions for identical or similar securities of the same issuer. It also amends certain disclosure requirements associated with equity investments and the fair value of financial instruments. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted for certain requirements. We adopted all applicable requirements of this update as of January 1, 2018. Upon adoption, we recorded a \$10.5 million charge to accumulated earnings to include net unrealized losses on our marketable equity securities then designated as available for sale, which previously were recorded in accumulated other comprehensive loss. For our equity investments without a readily determinable fair value that we now account for using the cost method, we have elected to measure such securities at cost, adjusted for impairments and observable price changes. We expect our future net income or loss to be more volatile as a result of these changes in accounting for our investments in available-for-sale and cost method equity securities.

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

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which simplifies the accounting for share-based payment awards. This update requires all excess tax benefits and deficiencies to be recognized as income tax expense or benefit and permits an entity to make an entity-wide policy election to either estimate forfeitures or recognize forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. The update specifies requirements for retrospective, modified retrospective or prospective application for the various amendments contained in the update. Upon adoption of this standard as of January 1, 2017, we recorded a \$14.5 million deferred tax asset and a corresponding credit to accumulated earnings for excess tax benefits that had not previously been recognized because the related tax deductions had not reduced taxes payable. We did not change our accounting policy to estimate forfeitures in determining compensation cost. We prospectively adopted amendments requiring presentation of excess tax benefits in operating activities in the statement of cash flows and dealing with the treatment of excess tax benefits in the calculation of diluted earnings per share. The inclusion of

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excess tax benefits in our income tax provision for the year ended December 31, 2017 resulted in increases in net income from continuing operations of \$2.1 million and in net income of \$5.3 million.

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

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, Intra-Entity Transfers of Assets Other Than Inventory (“ASU 2016-16”), which improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We early adopted ASU 2016-16 as of January 1, 2017. Our adoption of this update did not have a material impact on our consolidated financial statements and related disclosures.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). This standard requires restricted cash and restricted cash equivalents to be included with cash and cash equivalents in the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. Early adoption is permitted and the standard must be applied retrospectively to all periods presented. We have adopted ASU 2016-18 as of January 1, 2018. Following our adoption of this standard, the beginning and ending balances of cash and cash equivalents presented in our consolidated statements of cash flows will include amounts for restricted cash and cash equivalents, which historically were not included in such balances, and receipts and payments of restricted cash and cash equivalents, exclusive of transfers to and from unrestricted accounts, will be reported in our consolidated statements of cash flows. The adoption of this new accounting standard is not expected to have a material impact on our consolidated financial statements and related disclosures.

In January 2017, the FASB issued Accounting Standards Update No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”). This standard simplifies the accounting for goodwill impairment by removing Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying amount, including goodwill, exceeds its fair value, not to exceed the carrying amount of goodwill. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and is to be applied on a prospective basis. We early adopted ASU 2017-04 as of January 1, 2017. Our adoption of this update did not have a material impact on our condensed consolidated financial statements and related disclosures, but it may impact the recognition and measurement of a goodwill impairment loss in future periods if we determine that the carrying amount of any reporting units including goodwill exceeds fair value of the reporting unit.

In March 2017, the FASB issued Accounting Standards Update No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (“ASU 2017-08”). This update shortens the amortization period of premiums on certain purchased callable debt securities to the earliest call date, effectively reducing interest income on such securities prior to the earliest call date. ASU 2017-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. We are assessing the impact of adopting this new accounting standard on our consolidated financial statements and related disclosures.

Note 3. Discontinued Operations

On January 31, 2017, EchoStar Corporation and certain of its subsidiaries entered into the Share Exchange Agreement. Pursuant to the Share Exchange Agreement, on February 28, 2017, among other things, EchoStar Corporation and certain of its subsidiaries received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets. Following consummation of the Share Exchange, we no longer operate the EchoStar Technologies businesses, the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to the Tracking Stock terminated and are of no further effect.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

As a result of the Share Exchange, the historical financial results of our EchoStar Technologies segment prior to the closing of the Share Exchange are reflected in our consolidated financial statements as discontinued operations and, as such, have been excluded from continuing operations and segment results for all periods presented. The noncontrolling interest in HSS Tracking Stock, as reflected in our stockholders equity, was extinguished as of February 28, 2017 as a result of the Share Exchange.

The following table presents the operating results of our discontinued operations:

	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Revenue:			
Equipment, services and other revenue - DISH Network	\$ 143,118	\$ 1,127,610	\$ 1,138,571
Equipment, services and other revenue - other	10,344	118,654	156,286
Total revenue	153,462	1,246,264	1,294,857
Costs and Expenses:			
Cost of equipment, services and other	121,967	1,010,421	1,034,960
Selling, general and administrative expenses	5,439	60,590	55,980
Research and development expenses	4,635	44,854	51,910
Depreciation and amortization	11,659	62,164	67,339
Impairment of long-lived assets	—	—	2,400
Total costs and expenses	143,700	1,178,029	1,212,589
Operating income	9,762	68,235	82,268
Other Income (Expense):			
Interest expense	(15)	(144)	(30)
Equity in earnings (losses) of unconsolidated affiliates, net	(1,159)	2,508	4,372
Other, net	(57)	(381)	(4,365)
Total income (expense), net	(1,231)	1,983	(23)
Income from discontinued operations before income taxes	8,531	70,218	82,245
Income tax provision	(22)	(25,898)	(20,966)
Net income from discontinued operations	\$ 8,509	\$ 44,320	\$ 61,279

Expenditures for property and equipment of our discontinued operations totaled \$12.5 million, \$69.7 million and \$50.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

The following table presents the aggregate carrying amounts of assets and liabilities of our discontinued operations:

	As of December 31,	
	2017	2016
(In thousands)		
Assets:		
Cash and cash equivalents	\$ —	\$ 778
Trade accounts receivable, net	4	27,261
Trade accounts receivable - DISH Network	93	259,198
Inventory	—	9,824
Prepays and deposits	—	14,463
Current assets of discontinued operations	97	311,524
Property and equipment, net	—	271,108
Goodwill	—	6,457
Other intangible assets, net	—	7,720
Investments in unconsolidated entities	—	26,203
Other noncurrent assets, net	—	5,436
Noncurrent assets of discontinued operations	—	316,924
Total assets of discontinued operations	\$ 97	\$ 628,448
Liabilities:		
Trade accounts payable	\$ 278	\$ 19,518
Trade accounts payable - DISH Network	—	3,960
Current portion of capital lease obligations	—	4,323
Deferred revenue and prepayments	—	2,967
Accrued compensation	—	4,652
Accrued royalties	—	23,199
Accrued expenses and other	264	12,810
Current liabilities of discontinued operations	542	71,429
Capital lease obligations	—	416
Deferred tax liabilities, net	—	7,353
Other noncurrent liabilities	—	2,932
Noncurrent liabilities of discontinued operations	—	10,701
Total liabilities of discontinued operations	\$ 542	\$ 82,130

Note 4. Earnings per Share

We present basic earnings per share (“EPS”) and diluted EPS for our Class A and Class B common stock. Basic EPS for our Class A and Class B common stock excludes potential dilution and is computed by dividing “Net income attributable to EchoStar common stock” by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if shares of common stock were issued pursuant to our stock-based compensation awards. The potential dilution from common stock awards was computed using the treasury stock method based on the average market value of our Class A common stock during the period. The calculation of our diluted weighted-average common shares outstanding excluded options to purchase shares of our Class A common stock, whose effect would be anti-dilutive, of 1.0 million, 3.5 million and 2.3 million shares for the years ended December 31, 2017, 2016 and 2015, respectively.

Prior to the Share Exchange, the EchoStar Tracking Stock was a participating security that shared in our consolidated earnings and therefore, we applied the two-class method to calculate EPS for periods prior to March 1, 2017. Under the two-class method, we allocated net income or loss attributable to EchoStar between common stock and the EchoStar Tracking Stock

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

considering both dividends declared on each class of stock and the participation rights of each class of stock in undistributed earnings. Based on the 51.89% economic interest in the Hughes Retail Group represented by the EchoStar Tracking Stock, we allocated undistributed earnings to the EchoStar Tracking Stock based on 51.89% of the attributed net income or loss of the Hughes Retail Group. Moreover, because the reported amount of “Net income attributable to EchoStar” in our consolidated statements of operations excluded DISH Network’s 28.11% economic interest (represented by the HSS Tracking Stock) in the net loss of the Hughes Retail Group (reported as a noncontrolling interest), the amount of consolidated net income or loss allocated to holders of Class A and Class B common stock effectively excluded an aggregate 80.0% of the attributed net loss of the Hughes Retail Group.

The following table presents basic and diluted EPS amounts for all periods and the corresponding weighted-average shares outstanding used in the calculations.

	For the Years Ended December 31,		
	2017	2016	2015
(In thousands, except per share amounts)			
Amounts attributable to EchoStar common stock:			
Net income from continuing operations	\$ 385,261	\$ 137,353	\$ 102,421
Net income from discontinued operations	8,509	44,320	61,279
Net income attributable to EchoStar common stock	<u>\$ 393,770</u>	<u>\$ 181,673</u>	<u>\$ 163,700</u>
Weighted-average common shares outstanding :			
Class A and B common stock:			
Basic	95,425	93,795	92,397
Dilutive impact of stock awards outstanding	1,316	615	1,069
Diluted	<u>96,741</u>	<u>94,410</u>	<u>93,466</u>
Earnings per share:			
Class A and B common stock:			
Basic:			
Continuing operations	\$ 4.04	\$ 1.46	\$ 1.11
Discontinued operations	0.09	0.48	0.66
Total basic earnings per share	<u>\$ 4.13</u>	<u>\$ 1.94</u>	<u>\$ 1.77</u>
Diluted:			
Continuing operations	\$ 3.98	\$ 1.45	\$ 1.10
Discontinued operations	0.09	0.47	0.65
Total diluted earnings per share	<u>\$ 4.07</u>	<u>\$ 1.92</u>	<u>\$ 1.75</u>

Note 5. Other Comprehensive Income (Loss) and Related Tax Effects

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

Accumulated other comprehensive loss includes net cumulative foreign currency translation losses of \$119.4 million, \$135.4 million and \$124.3 million as of December 31, 2017, 2016 and 2015, respectively. Other comprehensive income includes deferred tax benefits for foreign currency translation losses related to assets that were transferred from a foreign subsidiary to a domestic subsidiary of \$7.3 million for year ended December 31, 2017.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Reclassifications out of accumulated other comprehensive loss for the years ended December 31, 2017, 2016 and 2015 were as follows:

Accumulated Other Comprehensive Loss Components	Affected Line Item in our Consolidated Statements of Operations	For the Years Ended December 31,		
		2017	2016	2015
(In thousands)				
Recognition of realized gains on available-for-sale securities in net income (1)	Gains (losses) on investments, net	\$ (2,758)	\$ (5,590)	\$ (35)
Recognition of other-than-temporary impairment loss on available-for-sale securities in net income (2)	Other-than-temporary impairment loss on available-for-sale securities	3,298	—	11,226
Recognition of foreign currency translation losses in net income (3)	Other, net	—	—	1,889
Total reclassifications, net of tax and noncontrolling interests		\$ 540	\$ (5,590)	\$ 13,080

- (1) When available-for-sale securities are sold, the related unrealized gains and losses that were previously recognized in other comprehensive income (loss) are reclassified and recognized as “Gains (losses) on investments, net” in our consolidated statements of operations.
- (2) We recorded other-than-temporary impairment losses on shares of certain common stock included in our strategic equity securities.
- (3) As a result of the deconsolidation of several European subsidiaries of our discontinued operations in May 2015, the related cumulative translation adjustments that were previously recognized in other comprehensive income (loss) were reclassified and recognized as a loss within “Other income (expense)” in our consolidated statements of operations.

Note 6. Investment Securities

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

	As of December 31,	
	2017	2016
(In thousands)		
Marketable investment securities—current, at fair value:		
Corporate bonds	\$ 542,573	\$ 402,670
Strategic equity securities	133,736	94,816
Other	137,852	25,030
Total marketable investment securities—current	814,161	522,516
Restricted marketable investment securities (1)	10,019	12,203
Total	\$ 824,180	\$ 534,719

- (1) Restricted marketable investment securities are included in “Other noncurrent assets, net” in our consolidated balance sheets.

Marketable Investment Securities

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

Corporate Bonds

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

Strategic Equity Securities

Our strategic investment portfolio consists of investments in shares of common stock of public companies, which are highly speculative and have experienced and continue to experience volatility. We received dividend income of \$6.3 million, \$0.1 million and de minimis for the years ended December 31, 2017, 2016 and 2015, respectively. For the years ended

EHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

December 31, 2017, 2016 and 2015, we recognized other-than-temporary impairment losses of \$3.3 million, zero and \$11.2 million, respectively on certain investments. These losses related to strategic equity investments that experienced significant declines in market value that we determined to be attributable to company-specific events and circumstances other than temporary market conditions.

Prior to September 2017, we had an investment in the preferred stock of a privately-held company which had a carrying amount of \$4.1 million and was accounted for using the cost method. In connection with the company's initial public offering of its Class A common stock in September 2017, our shares of preferred stock were converted into the company's Class B common stock. We have the right to convert such shares of Class B common stock to shares of Class A common stock and to sell such shares following the expiration of a lock-up period. For periods following the initial public offering, we account for this investment as a trading security at fair value in our strategic equity security portfolio.

As of December 31, 2017 and 2016, "Gains (losses) on investments, net" for the years ended December 31, 2017, 2016 and 2015 included gains of \$42.6 million, gains of \$0.6 million and losses of \$6.5 million, respectively, related to trading securities that we held as of December 31, 2017, 2016 and 2015, respectively. The fair values of our trading securities were \$46.7 million and \$7.2 million as of December 31, 2017 and 2016, respectively.

Other

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

Restricted Cash and Marketable Investment Securities

As of December 31, 2017 and 2016, our restricted marketable investment securities included amounts required as collateral for our letters of credit or surety bonds.

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

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

	Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
(In thousands)				
As of December 31, 2017				
Debt securities:				
Corporate bonds	\$ 542,861	\$ —	\$ (288)	\$ 542,573
Other (including restricted)	142,082	—	(46)	142,036
Equity securities - strategic	97,519	7,937	(18,404)	87,052
Total available-for-sale securities	<u>\$ 782,462</u>	<u>\$ 7,937</u>	<u>\$ (18,738)</u>	<u>\$ 771,661</u>
As of December 31, 2016				
Debt securities:				
Corporate bonds	\$ 402,472	\$ 285	\$ (87)	\$ 402,670
Other (including restricted)	32,488	3	(23)	32,468
Equity securities - strategic	77,149	13,120	(2,652)	87,617
Total available-for-sale securities	<u>\$ 512,109</u>	<u>\$ 13,408</u>	<u>\$ (2,762)</u>	<u>\$ 522,755</u>

As of December 31, 2017, restricted and non-restricted available-for-sale securities included debt securities of \$684.2 million with contractual maturities of one year or less and \$0.4 million with contractual maturities greater than one year. We may realize proceeds from certain investments prior to their contractual maturity as a result of our ability to sell these securities prior to their contractual maturity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Available-for-Sale Securities in a Loss Position

The following table reflects the length of time that our available-for-sale securities have been in an unrealized loss position. Substantially all of the unrealized losses as of December 31, 2017 relate to three securities in our strategic equity securities portfolio, each of which has been in a continuous loss position for less than three months. We do not intend to sell these securities before they recover or mature, and it is more likely than not that we will hold these securities until they recover or mature. We believe that changes in the estimated fair values of these securities are primarily related to temporary market conditions.

	As of December 31,			
	2017		2016	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)			
Less than 12 months	\$ 733,635	\$ (18,715)	\$ 154,826	\$ (2,760)
12 months or more	6,715	(23)	1,571	(2)
Total	\$ 740,350	\$ (18,738)	\$ 156,397	\$ (2,762)

Sales of Available-for-Sale Securities

We recognized gains from the sales of our available-for-sale securities of \$2.8 million, \$5.6 million and de minimis for the years ended December 31, 2017, 2016 and 2015, respectively. We recognized de minimis losses from the sales of our available-for-sale securities for each of the years ended December 31, 2017, 2016 and 2015.

Proceeds from sales of our available-for-sale securities totaled \$31.0 million, \$80.4 million and \$111.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Fair Value Measurements

Our current marketable investment securities are measured at fair value on a recurring basis as summarized in the table below. As of December 31, 2017 and 2016, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

	As of December 31,					
	2017			2016		
	Total	Level 1	Level 2	Total	Level 1	Level 2
	(In thousands)					
Cash equivalents (including restricted)	\$ 2,354,998	\$ 301	\$ 2,354,697	\$ 2,490,168	\$ 62,332	\$ 2,427,836
Debt securities:						
Corporate bonds	\$ 542,573	\$ —	\$ 542,573	\$ 402,670	\$ —	\$ 402,670
Other (including restricted)	147,871	13,311	134,560	37,233	13,517	23,716
Equity securities - strategic	133,736	133,736	—	94,816	94,816	—
Total marketable investment securities	\$ 824,180	\$ 147,047	\$ 677,133	\$ 534,719	\$ 108,333	\$ 426,386

Investments in Unconsolidated Entities — Noncurrent

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Our investments in unconsolidated entities consisted of the following:

	As of December 31,	
	2017	2016
(In thousands)		
Investments in unconsolidated entities—noncurrent:		
Cost method	\$ 69,725	\$ 80,052
Equity method	91,702	90,964
Total investments in unconsolidated entities—noncurrent	\$ 161,427	\$ 171,016

We recorded cash distributions from our investments accounted for using the equity method of \$19.0 million, \$10.0 million and zero for the years ended December 31, 2017, 2016 and 2015, respectively. These cash distributions were determined to be a return on investment and reported in cash flows from operating activities in our consolidated statements of cash flows.

As of December 31, 2017, our aggregate investment in our equity method investees exceeded our proportionate share of the net assets of the investees by \$33.4 million. This difference is attributable to goodwill recorded at acquisition and certain adjustments related to intra-entity transactions subsequent to acquisition.

A summary of financial information for Dish Mexico and our equity method investees in the aggregate is as follows:

	As of December 31,			
	2017		2016	
	Dish Mexico	Aggregate	Dish Mexico	Aggregate
(In thousands)				
Balance sheet data:				
Current assets	\$ 146,851	172,234	\$ 139,349	183,732
Noncurrent assets	185,345	187,067	178,369	181,638
Total assets	\$ 332,196	359,301	\$ 317,718	365,370
Current liabilities	\$ 129,087	130,443	\$ 129,563	128,982
Noncurrent liabilities	109,428	110,472	111,501	111,501
Total liabilities	\$ 238,515	240,915	\$ 241,064	240,483

	As of December 31,					
	2017		2016		2015	
	Dish Mexico	Aggregate	Dish Mexico	Aggregate	Dish Mexico	Aggregate
(In thousands)						
Income statement data:						
Revenue	\$ 497,096	\$ 535,153	\$ 498,069	\$ 541,066	\$ 471,712	\$ 513,378
Operating income	\$ 15,094	\$ 31,919	\$ 32,280	\$ 52,656	\$ 638	\$ 20,878
Income before income taxes	\$ 18,267	\$ 32,739	\$ 10,195	\$ 29,083	\$ (26,201)	\$ (9,197)
Net income	\$ 15,658	\$ 30,130	\$ 6,374	\$ 25,262	\$ (8,512)	\$ 8,492
Net income attributable to EchoStar	\$ 9,946	\$ 16,973	\$ 1,358	\$ 10,802	\$ (10,979)	\$ (2,477)

In January 2017, we sold our investment in Invidi Technologies Corporation to an entity owned in part by DISH Network for \$19.4 million. Our investment was accounted for using the cost method and had a carrying amount of \$10.5 million on the date of sale and as a result we recognized a gain of \$8.9 million in connection with this transaction for the year ended December 31, 2017. See Note 19 for additional information about this transaction.

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In connection with the Share Exchange, our equity interests in NagraStar L.L.C. and SmarDTV SA, which we accounted for using the equity method, and our equity interest in Sling TV Holding L.L.C., which we accounted for using the cost method, were transferred to DISH Network as of February 28, 2017. See Notes 1, 3 and 19 for additional information about the Share Exchange and related party transactions with these companies in which we held equity interests.

In June 2015, we made an equity investment in WorldVu Satellites Limited (“OneWeb”), a global low-earth orbit satellite service company. OneWeb plans to develop and operate a global network of low-earth orbit Ku-band satellites to provide internet access to fixed and mobile terminals. We do not exercise significant influence over the management of OneWeb; accordingly, we account for the investment using the cost method.

Note 7. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of December 31,	
	2017	2016
	(In thousands)	
Trade accounts receivable	\$ 197,294	\$ 159,313
Contracts in process, net	11,573	36,170
Total trade accounts receivable	208,867	195,483
Allowance for doubtful accounts	(12,027)	(12,956)
Trade accounts receivable - DISH Network	43,295	19,417
Total trade accounts receivable, net	\$ 240,135	\$ 201,944

As of December 31, 2017 and 2016, progress billings offset against contracts in process amounted to \$22.8 million and \$14.6 million, respectively.

Note 8. Inventory

Our inventory consisted of the following:

	As of December 31,	
	2017	2016
	(In thousands)	
Finished goods	\$ 70,669	\$ 49,755
Raw materials	5,484	6,678
Work in process	7,442	6,187
Total inventory	\$ 83,595	\$ 62,620

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Note 9. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of December 31,	
		2017	2016
(In thousands)			
Land	—	\$ 33,713	\$ 35,815
Buildings and improvements	1-40	185,148	175,593
Furniture, fixtures, equipment and other	1-12	736,533	514,056
Customer rental equipment	2-4	929,775	689,579
Satellites - owned	2-15	3,064,391	2,381,120
Satellites acquired under capital leases	10-15	916,820	781,761
Construction in progress	—	260,220	1,418,763
Total property and equipment		6,126,600	5,996,687
Accumulated depreciation		(2,661,129)	(2,598,492)
Property and equipment, net		\$ 3,465,471	\$ 3,398,195

As of December 31, 2017 and 2016, accumulated depreciation included amounts for satellites acquired under capital leases of \$393.9 million and \$328.2 million, respectively.

Construction in progress consisted of the following:

	As of December 31,	
	2017	2016
(In thousands)		
Progress amounts for satellite construction, including prepayments under capital leases and launch services costs	\$ 211,765	\$ 1,235,577
Satellite related equipment	28,358	152,737
Other	20,097	30,449
Construction in progress	\$ 260,220	\$ 1,418,763

Construction in progress included the following owned and leased satellites under construction as of December 31, 2017.

Satellites	Segment	Expected Launch Date
Telesat T19V (“63 West”) (1)	Hughes	Second quarter of 2018
EchoStar XXIV	Corporate and Other	2021

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

We recorded capitalized interest related to our satellites, satellite payloads and related ground facilities under construction of \$52.0 million, \$94.4 million and \$63.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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

	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Satellites	\$ 239,072	\$ 191,729	\$ 197,469
Furniture, fixtures, equipment and other	82,668	65,350	77,946
Customer rental equipment	146,562	114,568	105,725
Buildings and improvements	7,004	6,922	7,845
Total depreciation expense	<u>\$ 475,306</u>	<u>\$ 378,569</u>	<u>\$ 388,985</u>

Satellites depreciation expense includes amortization of satellites under capital lease agreements of \$66.1 million, \$56.2 million and \$56.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Satellites

As of December 31, 2017, our satellite fleet consisted of 19 of our owned and leased satellites in geosynchronous orbit, approximately 22,300 miles above the equator. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite. As of December 31, 2017, four of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over their respective lease terms.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Our operating satellite fleet consists of both owned and leased satellites detailed in the table below as of December 31, 2017.

Satellites	Segment	Launch Date	Nominal Degree Orbital Location (Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 (1)	Hughes	August 2007	95 W	12
EchoStar XVII	Hughes	July 2012	107 W	15
EchoStar XIX	Hughes	December 2016	97.1 W	15
EchoStar I (2)(3)(4)(7)	ESS	December 1995	77 W	—
EchoStar VI (4)(7)	ESS	July 2000	96.2 W	12
EchoStar VII (2)(3)(4)	ESS	February 2002	119 W	3
EchoStar IX (2)(4)	ESS	August 2003	121 W	12
EchoStar X (2)(3)	ESS	February 2006	110 W	7
EchoStar XI (2)(3)	ESS	July 2008	110 W	9
EchoStar XII (2)(4)(5)	ESS	July 2003	61.5 W	2
EchoStar XIV (2)(3)	ESS	March 2010	119 W	11
EchoStar XVI (2)	ESS	November 2012	61.5 W	15
EchoStar XXI	Corporate and Other	June 2017	10.25 E	15
EchoStar XXIII	Corporate and Other	March 2017	45 W	15
EUTELSAT 10A (“W2A”) (6)	Corporate and Other	April 2009	10 E	—
Capital Leases:				
Nimiq 5 (2)	ESS	September 2009	72.7 W	15
QuetzSat-1 (2)	ESS	September 2011	77 W	10
Eutelsat 65 West A	Hughes	March 2016	65 W	15
EchoStar 105/SES-11	ESS	October 2017	105 W	15

(1) Depreciable life represents the remaining useful life as of June 8, 2011, the date EchoStar completed its acquisition of Hughes Communications, Inc. and its subsidiaries.

(2) See Note 19 for discussion of related party transactions with DISH Network.

(3) Depreciable life represents the remaining useful life as of March 1, 2014, the effective date of our receipt of the satellites from DISH Network as part of the Satellite and Tracking Stock Transaction (See Note 19).

(4) Fully depreciated assets as of December 31, 2017.

(5) Depreciable life represents the remaining useful life as of June 30, 2013, the date the EchoStar XII satellite was impaired.

(6) The Company acquired the S-band payload on this satellite, which prior to the acquisition in December 2013, experienced an anomaly at the time of the launch. As a result, the S-band payload is not fully operational.

(7) The EchoStar I satellite was retired in January 2018 and the EchoStar VI satellite is expected to be retired in the second quarter of 2018.

Recent Developments

EchoStar I. The EchoStar I satellite was removed from its orbital location and retired from commercial service in January 2018. This retirement is not expected to have a material impact on our results of operations or financial position.

EchoStar VI. We expect to remove the EchoStar VI satellite from its orbital location and retire it from commercial service in the second quarter of 2018. This retirement is not expected to have a material impact on our results of operations or financial position.

EchoStar 105/SES-11. The EchoStar 105/SES-11 satellite was launched in October 2017 and was placed into service in November 2017 at the 105 degree west longitude orbital location. Pursuant to agreements we entered into in August 2014, we funded substantially all construction, launch and other costs associated with the EchoStar 105/SES-11 satellite and transferred

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the C-, Ku- and Ka-band payloads to two affiliates of SES Americom, Inc. (“SES”) after the launch date, while retaining the right to use the entire Ku-band payload on the satellite for an initial ten-year term, with an option for us to renew the agreement on a year-to-year basis. In October 2017, we recorded a \$77.5 million receivable from SES in “Other current assets,” representing capitalized costs allocable to certain satellite payloads controlled by SES, and we reduced our carrying amount of the satellite by such amount. In January 2018, we received payment from SES for the receivable plus accrued interest. Our leased Ku-band payload on the EchoStar 105/SES-11 satellite has replaced the capacity we had on the AMC-15 satellite.

EchoStar XXI. The EchoStar XXI satellite was launched in June 2017 and was placed into service in November 2017 at the 10.25 degree east longitude orbital location. The EchoStar XXI satellite provides space segment capacity to EchoStar Mobile Limited in Europe.

EchoStar III. In July 2017, the EchoStar III satellite experienced an anomaly that caused communications with the satellite to be interrupted resulting in a loss of control. We regained communications with and control of the EchoStar III satellite and retired the satellite from commercial service in August 2017. This retirement has not had, and is not expected to have, a material impact on our results of operations or financial position.

EchoStar VIII. During the second quarter of 2017, the EchoStar VIII satellite was removed from its orbital location and retired from commercial service. This retirement has not had, and is not expected to have, a material impact on our results of operations or financial position.

EchoStar XXIII. The EchoStar XXIII satellite, a Ku-band broadcast satellite services satellite, was launched in March 2017 and placed into service at the 45 degree west longitude orbital location in May 2017.

EchoStar XIX. The EchoStar XIX satellite was launched in December 2016 and placed into service in March 2017 at the 97.1 degree west longitude orbital location. The EchoStar XIX satellite provides capacity for the Hughes broadband services to our customers in North America, capacity in certain Central and South American countries and capability for aeronautical, enterprise and international broadband services. EchoStar contributed the EchoStar XIX satellite to its Hughes segment in February 2017.

AMC-15 and AMC-16. In August 2014, in connection with the execution of agreements related to the EchoStar 105/SES-11 satellite, we entered into amendments that extended the terms of our then existing agreements with a subsidiary of SES for satellite services on the AMC-15 and AMC-16 satellites. Our agreement for satellite services on certain transponders on the AMC-15 satellite terminated according to its terms in December 2017. The AMC-15 satellite was accounted for as an operating lease. Our agreement for the AMC-16 satellite services terminated according to its terms in February 2016.

As a result of anomalies that affected the operation of the AMC-15 and AMC-16 satellites, our monthly recurring payments were reduced under the related capital lease agreements during the three months ending March 31, 2015. We have accounted for these lease modifications generally by reducing the carrying amounts of the satellite and related capital lease obligation by the present value of the payment reduction. In such instances where the carrying amount of the satellite had been reduced to zero as a result of accumulated depreciation or impairments, we have recognized the reductions in the capital lease obligations as gains in “Other, net” in our consolidated statements of operations. For the years ended December 31, 2017, 2016 and 2015, we recognized such gains of zero, zero and \$4.5 million, respectively.

Satellite Anomalies and Impairments

Our satellites may experience anomalies from time to time, some of which may have a significant adverse effect on their remaining useful lives, the commercial operation of the satellites or our operating results or financial position. We are not aware of any anomalies with respect to our owned or leased satellites that have had any such significant adverse effect during the year ended December 31, 2017. There can be no assurance, however, that anomalies will not have any such adverse impacts in the future. In addition, there can be no assurance that we can recover critical transmission capacity in the event one or more of our in-orbit satellites were to fail.

EchoStar X experienced anomalies in the past which affected seven solar array circuits. In December 2017, EchoStar X experienced anomalies which affected one additional solar array circuit reducing the number of functional solar array circuits to 16. While these anomalies did not significantly impact commercial operation or remaining useful life of the satellite or our

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operating results or financial position for the year ended December 31, 2017, we do expect a loss of future revenue on this satellite as a result of such anomalies.

We historically have not carried in-orbit insurance on our satellites because we assessed that the cost of insurance was uneconomical relative to the risk of failures. Therefore, we generally bear the risk of any in-orbit failures. Pursuant to the terms of the agreements governing certain portions of our indebtedness, we are required, subject to certain limitations on coverage, to maintain in-orbit insurance for our SPACEWAY 3, EchoStar XVI, and EchoStar XVII satellites. Based on economic analysis of the current insurance market we obtained launch plus one year in-orbit insurance, subject to certain limitations, for the EchoStar XIX, EchoStar XXI and EchoStar XXIII satellites. Additionally, we obtained certain launch and in-orbit insurance for our interest in the EchoStar 105/SES-11 satellite. Our other satellites, either in orbit or under construction, are not covered by launch or in-orbit insurance. We will continue to assess circumstances going forward and make insurance decisions on a case by case basis.

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

Note 10. Goodwill, Regulatory Authorizations and Other Intangible Assets

Goodwill

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

As of December 31, 2017 and 2016, all goodwill related to our continuing operations was assigned to reporting units of our Hughes segment. We test this goodwill for impairment annually in the second quarter. Based on our qualitative assessment of impairment in the second quarter of 2017, we determined that it was not more likely than not that the fair values of the Hughes segment reporting units were less than the corresponding carrying amounts.

Regulatory Authorizations

Regulatory authorizations included amounts with finite and indefinite useful lives, as follows:

	As of December 31, 2016	Additions	Impairment	Currency Translation Adjustment	As of December 31, 2017
	(In thousands)				
Finite useful lives:					
Cost	\$ 87,959	\$ —	\$ —	\$ 4,662	\$ 92,621
Accumulated amortization	(14,983)	(5,097)	—	(1,262)	(21,342)
Net	72,976	(5,097)	—	3,400	71,279
Indefinite lives	471,657	—	(6,000)	—	465,657
Total regulatory authorizations, net	<u>\$ 544,633</u>	<u>\$ (5,097)</u>	<u>\$ (6,000)</u>	<u>\$ 3,400</u>	<u>\$ 536,936</u>

Amortization expense for the regulatory authorizations with finite lives was \$5.1 million, \$4.7 million and \$4.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Regulatory authorizations with finite lives include our Brazilian license, which had a carrying amount of \$36.3 million and \$38.6 million as of December 31, 2017 and 2016, respectively. We satisfied our regulatory obligations to meet certain in-service milestones for our Brazilian license at the 45 degree west longitude orbital location for the Ku-band frequency. On October 5, 2017, ANATEL declined our request to extend our milestone deadlines for the S-band and Ka-band frequencies and,

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as a result, we do not have the right to use such frequencies in Brazil. We may be subject to penalties as a result of our failure to meet these milestones. The loss of our right to use the S-band and Ka-band frequencies in October 2017 was an event that could have affected the recoverability of the carrying amount of our Brazilian license and related ground infrastructure assets. In the absence of a current definitive business plan to serve as the basis for a test of recoverability of such assets, we tested such assets for impairment in the fourth quarter of 2017. Our impairment test involved estimation of fair value of the Brazilian license primarily using a model that quantified the present value of estimated cash outflows to lease satellite capacity in excess of estimated cash outflows to construct, launch and operate a satellite with equivalent capacity using the Brazilian license. Our fair value estimate included significant unobservable inputs related to transponder lease rates, satellite costs and discount rates, and is categorized within Level 3 of the fair value hierarchy. We determined that the estimated fair value of our Brazilian license and related assets exceeded their carrying amount and we did not recognize an impairment loss.

Prior to the fourth quarter of 2017, our regulatory authorizations with indefinite lives included \$6.0 million for contractual rights to utilize certain frequencies, in addition to those specified in the Brazilian license, at the 45 degree west longitude orbital location. We acquired such contractual rights in 2012 and have evaluated potential opportunities to utilize the frequencies in conjunction with our Brazilian license. We determined in the fourth quarter of 2017 that certain actions required to utilize the frequencies had become impractical with the passage of time. As a result of these circumstances, we determined that the fair value of such contractual rights was de minimis and we recognized a \$6.0 million impairment loss in our ESS segment in the fourth quarter of 2017.

Other Intangible Assets

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

	Weighted Average Useful Life (in Years)	As of December 31,					
		2017			2016		
		Cost	Accumulated Amortization	Carrying Amount	Cost	Accumulated Amortization	Carrying Amount
(In thousands)							
Customer relationships	8	\$ 270,300	\$ (231,642)	\$ 38,658	\$ 270,300	\$ (214,544)	\$ 55,756
Technology-based	6	61,300	(60,927)	373	60,835	(57,266)	3,569
Trademark portfolio	20	29,700	(9,776)	19,924	29,700	(8,291)	21,409
Total other intangible assets		\$ 361,300	\$ (302,345)	\$ 58,955	\$ 360,835	\$ (280,101)	\$ 80,734

Customer relationships are amortized predominantly in relation to the expected contribution of cash flow to the business over the life of the intangible asset. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. Intangible asset amortization expense, including amortization of regulatory authorizations with finite lives and externally marketed capitalized software, was \$46.9 million, \$54.3 million and \$71.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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Future Amortization

As of December 31, 2017, our estimated future amortization of intangible assets, including regulatory authorizations with finite lives, was as follows:

	Amount
	(In thousands)
For the Years Ending December 31,	
2018	\$ 20,106
2019	20,106
2020	16,470
2021	9,831
2022	6,867
Thereafter	60,799
Total	\$ 134,179

Note 11. Debt and Capital Lease Obligations

As of December 31, 2017, our debt primarily consisted of the 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes, the 2026 Senior Secured Notes and the 2026 Senior Unsecured Notes, each as defined below, and our capital lease obligations.

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

		As of December 31,			
		2017		2016	
		Effective Interest Rate	Carrying Amount	Fair Value	Carrying Amount
(In thousands)					
Senior Secured Notes:					
6 1/2% Senior Secured Notes due 2019	6.959%	\$ 990,000	\$ 1,042,609	\$ 990,000	\$ 1,084,050
5 1/4% Senior Secured Notes due 2026	5.320%	750,000	769,305	750,000	739,688
Senior Unsecured Notes:					
7 5/8% Senior Unsecured Notes due 2021	8.062%	900,000	992,745	900,000	990,189
6 5/8% Senior Unsecured Notes due 2026	6.688%	750,000	791,865	750,000	760,245
Less: Unamortized debt issuance costs		(24,857)	—	(31,821)	—
Subtotal		3,365,143	\$ 3,596,524	3,358,179	\$ 3,574,172
Capital lease obligations		269,701		297,268	
Total debt and capital lease obligations		3,634,844		3,655,447	
Less: Current portion		(40,631)		(32,984)	
Long-term debt and capital lease obligations, net of unamortized debt issuance costs		\$ 3,594,213		\$ 3,622,463	

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

2019 Senior Secured Notes and 2021 Senior Unsecured Notes

On June 1, 2011, HSS issued \$1.10 billion aggregate principal amount of 6 1/2% Senior Secured Notes due 2019 (the “2019 Senior Secured Notes”) at an issue price of 100.0%, pursuant to a Secured Indenture dated June 1, 2011, (as amended the “2011 Secured Indenture”). The 2019 Senior Secured Notes mature on June 15, 2019. Interest accrues at an annual rate of 6 1/2% and is payable semi-annually in cash, in arrears on June 15 and December 15 of each year. As of December 31, 2017 and 2016, the outstanding principal balance on the 2019 Senior Secured Notes was \$990.0 million.

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On June 1, 2011, HSS also issued \$900.0 million aggregate principal amount of 7 5/8% Senior Unsecured Notes due 2021 (the “2021 Senior Unsecured Notes,”) at an issue price of 100.0%, pursuant to an Unsecured Indenture dated June 1, 2011 (together with the “2011 Secured Indenture”, the “2011 Indentures”). The 2021 Senior Unsecured Notes mature on June 15, 2021. Interest accrues at an annual rate of 7 5/8% and is payable semi-annually in cash, in arrears on June 15 and December 15 of each year. As of December 31, 2017 and 2016, the outstanding principal balance on the 2021 Senior Unsecured Notes was \$900.0 million.

On June 12, 2015, we redeemed \$110.0 million of the 2019 Senior Secured Notes at a redemption price equal to 103.0% of the principal amount plus accrued and unpaid interest. As a result, we recorded a \$5.0 million loss consisting of the \$3.3 million redemption premium and a \$1.7 million write-off of related unamortized debt issuance costs.

2026 Senior Secured Notes and 2026 Senior Unsecured Notes

On July 27, 2016, HSS issued \$750 million aggregate principal amount of 5 1/4% Senior Secured Notes due 2026 (the “2026 Senior Secured Notes” and, together with the 2019 Senior Secured Notes, the “Secured Notes”) at an issue price of 100.0%, pursuant to an indenture dated July 27, 2016 (the “2016 Secured Indenture”) and \$750 million aggregate principal amount of 6 5/8% Senior Unsecured Notes due 2026 (the “2026 Senior Unsecured Notes” and, together with the 2021 Senior Unsecured Notes, the “Unsecured Notes”) at an issue price of 100.0%, pursuant to an indenture dated July 27, 2016 (together with the 2011 Indentures and the 2016 Secured Indenture, the “Indentures”). The 2019 Senior Secured Notes, the 2021 Senior Unsecured Notes, the 2026 Senior Secured Notes and the 2026 Senior Unsecured Notes are referred to collectively as the “Notes” and individually as a series of the Notes. The 2026 Senior Secured Notes and the 2026 Senior Unsecured Notes (collectively, the “2026 Notes”) mature on August 1, 2026. Interest on the 2026 Senior Secured Notes accrues at an annual rate of 5 1/4% and interest on the 2026 Senior Unsecured Notes accrues at an annual rate of 6 5/8%. Interest on the 2026 Notes is payable semi-annually in cash, in arrears on February 1 and August 1 of each year commencing February 1, 2017. At each of December 31, 2017 and 2016, the outstanding principal balance on each of the 2026 Senior Secured Notes and the 2026 Senior Unsecured Notes was \$750.0 million, respectively.

Additional Information Relating to the Notes

Each series of the Notes is redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount thereof plus a “make-whole” premium, as defined in the applicable Indenture, together with accrued and unpaid interest, if any, to the date of redemption. HSS may also redeem up to 10% of the outstanding 2026 Senior Secured Notes per year prior to August 1, 2020 at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest to the date of redemption. In addition, HSS may, at any time prior to August 1, 2019, with the net cash proceeds from certain equity offerings or capital contributions, redeem up to 35% of the 2026 Senior Secured Notes, at 105.250% of the principal amount, and up to 35% of the 2026 Senior Unsecured Notes, at a redemption price equal to 106.625% of the principal amount plus, in each case, accrued and unpaid interest on the 2026 Notes being redeemed to the date of redemption.

The Secured Notes are:

- secured obligations of HSS;
- secured by security interests in substantially all existing and future tangible and intangible assets of HSS and certain of its subsidiaries on a first priority basis, subject to certain exceptions;
- ranked equally and ratably as between the 2019 Senior Secured Notes and the 2026 Senior Secured Notes;
- effectively junior to HSS’ obligations that are secured by assets that are not part of the collateral that secures the respective Secured Notes, in each case, to the extent of the value of the collateral securing such obligations;
- effectively senior to HSS’ existing and future unsecured obligations to the extent of the value of the collateral securing the respective Secured Notes, after giving effect to permitted liens as provided in the Indenture governing the respective Secured Notes;
- senior in right of payment to all existing and future obligations of HSS that are expressly subordinated to the respective Secured Notes;
- structurally junior to any existing and future obligations of any of HSS’ subsidiaries that do not guarantee the respective Secured Notes; and

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- unconditionally guaranteed, jointly and severally, on a general senior secured basis by certain of our HSS' subsidiaries, which guarantees rank equally with all of the guarantors' existing and future unsubordinated indebtedness and effectively senior to such guarantors' existing and future obligations to the extent of the value of the assets securing the respective Secured Notes.

The Unsecured Notes are:

- unsecured senior obligations of HSS;
- ranked equally with all existing and future unsubordinated indebtedness (including as between the 2021 Senior Unsecured Notes and the 2026 Senior Unsecured Notes) and effectively junior to any secured indebtedness up to the value of the assets securing such indebtedness;
- effectively junior to HSS' obligations that are secured to the extent of the value of the collateral securing such obligations;
- senior in right of payment to all existing and future obligations of HSS that are expressly subordinated to the respective Unsecured Notes;
- structurally junior to any existing and future obligations of any of HSS' subsidiaries that do not guarantee the respective Unsecured Notes; and
- unconditionally guaranteed, jointly and severally, on a general senior secured basis by certain of HSS' subsidiaries, which guarantees rank equally with all of the guarantors' existing and future unsubordinated indebtedness, and effectively junior to any secured indebtedness of the guarantors up to the value of the assets securing such indebtedness.

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

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

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

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

Pursuant to the terms of a registration rights agreement, HSS registered notes having substantially identical terms as the 2026 Notes with the SEC as part of an offer to exchange registered notes for the 2026 Notes. This exchange offer expired May 11, 2017 with 99.98% of the 2026 Notes being tendered for exchange.

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Debt Issuance Costs

In connection with the issuance of the 2026 Notes, we incurred \$7.5 million of debt issuance costs. For the years ended December 31, 2017, 2016 and 2015, we amortized \$7.4 million, \$6.6 million and \$6.0 million of debt issuance costs, respectively, which are included in “Interest expense, net of amounts capitalized” in our consolidated statements of operations.

Capital Lease Obligations

Our capital lease obligations reflect the present value of future minimum lease payments under noncancelable lease agreements, primarily for certain of our satellites (see Note 9). These agreements require monthly recurring payments, which generally include principal, interest, an amount for use of the orbital location and estimated executory costs, such as insurance and maintenance. The monthly recurring payments generally are subject to reduction in the event of failures that reduce the satellite transponder capacity. Certain of these agreements provide for extension of the initial lease term at our option. The effective interest rates for our satellite capital lease obligations range from 6.0% to 11.2%, with a weighted average of 10.5% as of December 31, 2017.

Our capital lease obligations consist primarily of our payment obligations under agreements for the Nimiq 5 and QuetzSat-1 satellites, which have remaining noncancelable terms ending in September 2024 and November 2021, respectively. As discussed in Note 19, we have subleased transponders on these satellites to DISH Network.

Future minimum lease payments under our capital lease obligations, together with the present value of the net minimum lease payments as of December 31, 2017, are as follows:

	Amount	
	(In thousands)	
For the Years Ending December 31,		
	2018 \$	93,038
	2019	88,739
	2020	88,496
	2021	84,371
	2022	63,622
Thereafter		110,880
Total minimum lease payments		529,146
Less: Amount representing lease of the orbital location and estimated executory costs (primarily insurance and maintenance) including profit thereon, included in total minimum lease payments		(162,404)
Net minimum lease payments		366,742
Less: Amount representing interest		(97,041)
Present value of net minimum lease payments		269,701
Less: Current portion		(40,631)
Long-term portion of capital lease obligations		\$ 229,070

We received rental income from the sublease of our capital lease satellites of approximately \$132.4 million for each of the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017, our future minimum sublease rental income was \$348.5 million relating to such satellites. The subleases have a remaining weighted average term of three years.

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Note 12. Income Taxes

The components of income from continuing operations before income taxes are as follows:

	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Domestic	\$ 146,383	\$ 236,200	\$ 140,738
Foreign	(45,689)	(19,574)	(1,411)
Income from continuing operations before income taxes	\$ 100,694	\$ 216,626	\$ 139,327

The components of the provision for income taxes are as follows:

	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Current benefit (provision):			
Federal	\$ (8,652)	\$ (19,385)	\$ —
State	(1,237)	267	(8,926)
Foreign	(2,335)	(2,481)	(4,470)
Total current benefit (provision)	(12,224)	(21,599)	(13,396)
Deferred benefit (provision):			
Federal	299,693	(58,250)	(42,659)
State	2,356	(6,232)	3,285
Foreign	(5,539)	5,827	1,535
Total deferred benefit (provision)	296,510	(58,655)	(37,839)
Total income tax benefit (provision), net	\$ 284,286	\$ (80,254)	\$ (51,235)

The actual tax provisions for the years ended December 31, 2017, 2016 and 2015 reconcile to the amounts computed by applying the statutory federal tax rate to income from continuing operations before income taxes as shown below:

	For the Years Ended December 31,		
	2017	2016	2015
Statutory rate	35.0 %	35.0 %	35.0 %
State income taxes, net of Federal benefit	(12.2)%	5.0 %	3.8 %
Permanent differences	(0.3)%	1.4 %	1.7 %
Tax credits	(8.1)%	(4.2)%	(8.4)%
Valuation allowance	4.6 %	(0.3)%	1.4 %
Enactment of Tax Cuts and Job Act of 2017	(301.4)%	— %	— %
Other	0.1 %	0.1 %	3.3 %
Total effective tax rate	(282.3)%	37.0 %	36.8 %

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The components of our deferred tax assets and liabilities are as follows:

	As of December 31,	
	2017	2016
	(In thousands)	
Deferred tax assets:		
Net operating losses, credit and other carryforwards	\$ 278,540	\$ 178,925
Unrealized losses on investments, net	22,260	47,737
Accrued expenses	23,583	39,596
Stock-based compensation	9,148	14,389
Other assets	11,890	15,008
Total deferred tax assets	345,421	295,655
Valuation allowance	(66,886)	(75,372)
Deferred tax assets after valuation allowance	278,535	220,283
Deferred tax liabilities:		
Depreciation and amortization	(708,599)	(962,838)
Other liabilities	(1,509)	(1,319)
Total deferred tax liabilities	(710,108)	(964,157)
Total net deferred tax liabilities	\$ (431,573)	\$ (743,874)

Deferred tax assets and liabilities reflect the effects of tax losses, credits, and the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

We evaluate our deferred tax assets for realization and record a valuation allowance when we determine that it is more likely than not that the amounts will not be realized. Overall, our net deferred tax assets were offset by a valuation allowance of \$66.9 million and \$75.4 million as of December 31, 2017 and 2016, respectively. The change in the valuation allowance primarily relates to an increase in the net operating loss carryforwards of certain foreign subsidiaries and a decrease associated with unrealized gains that are capital in nature.

Tax benefits of net operating loss and tax credit carryforwards are evaluated on an ongoing basis, including a review of historical and projected future operating results, the eligible carryforward period, and other circumstances. As of December 31, 2017, we had net operating loss carryforwards of \$798.5 million, including \$168.4 million of foreign net operating loss carryforwards. A substantial portion of these net operating loss carryforwards will begin to expire in 2029. As of December 31, 2017, we have tax credit carryforwards of \$126.2 million and \$84.0 million for federal and state income tax purposes, respectively. If not utilized, the federal tax credit carryforwards will begin to expire in 2026 and the state tax credit carryforwards will begin to expire in 2018.

As of December 31, 2017, we had undistributed earnings attributable to foreign subsidiaries for which no provision for U.S. income taxes or foreign withholding taxes has been made because it is expected that such earnings will be reinvested outside the U.S. indefinitely. It is not practicable to determine the amount of the unrecognized deferred tax liability at this time.

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Accounting for the U.S. Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”) was enacted in December 2017 and has significantly impacted our effective tax rate and the tax benefit calculated for the year ended December 31, 2017. We have provisionally recorded a benefit of \$303.5 million to reflect the change in the value of our deferred tax assets and liabilities resulting from the change in the federal corporate tax rate from 35% to 21%. This amount includes a provisional estimate of zero related to valuation allowances on foreign tax credit carryovers. In order to complete this analysis, we must refine our forecast of qualifying foreign source income under the 2017 Tax Act including the effects of the new foreign-derived intangible income provisions. We will account for the effects, if any, of the global intangible low-taxed income provisions (“GILTI”) of the 2017 Tax Act as incurred. We also have recorded a provisional estimate of zero related to the tax on deemed mandatory repatriation of our unrepatriated foreign earnings. We are gathering more detailed historical financial information from our non-consolidated foreign affiliates in order to complete our analysis of the impacts of the 2017 Tax Act on our financial position and operating results.

Due to the timing of the enactment and the complexity involved in applying the provisions of the 2017 Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. As we collect and prepare necessary data, and interpret the 2017 Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts. Those adjustment may materially impact the provision for income taxes and the effective tax rate in the period in which the adjustments are made.

Accounting for Uncertainty in Income Taxes

In addition to filing U.S. federal income tax returns, we file income tax returns in all states that impose an income tax. As of December 31, 2017, we are not currently under a U.S. federal income tax examination, however, the IRS can perform tax examination as early as tax year 2008. We are also subject to frequent state income tax audits and have open state examinations in years as early as 2008. We also file income tax returns in the United Kingdom, Brazil, India and a number of other foreign jurisdictions. We generally are open to income tax examination in these foreign jurisdictions for taxable years beginning in 2003. As of December 31, 2017, we are currently being audited by the Indian tax authorities for fiscal years 2003 through 2012. We have no other on-going significant income tax examinations in process in our foreign jurisdictions.

A reconciliation of the beginning and ending amount of unrecognized income tax benefits is as follows:

Unrecognized tax benefit	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Balance as of beginning of period	\$ 63,502	\$ 62,366	\$ 44,839
Additions based on tax positions related to the current year	1,116	2,132	11,748
Additions based on tax positions related to prior years	258	3	5,779
Reductions based on tax positions related to prior years	(852)	(734)	—
Reductions based on tax settlements	—	(265)	—
Reductions based on expirations of statute of limitations	(728)	—	—
Balance as of end of period	<u>\$ 63,296</u>	<u>\$ 63,502</u>	<u>\$ 62,366</u>

As of December 31, 2017, we had \$63.3 million of unrecognized income tax benefits, all of which, if recognized, would affect our effective tax rate. As of December 31, 2016, we had \$63.5 million of unrecognized income tax benefits, all of which, if recognized, would affect our effective tax rate. We do not believe that the total amount of unrecognized income tax benefits will significantly increase or decrease within the next twelve months due to the lapse of statute of limitations or settlement with tax authorities.

For the years ended December 31, 2017, 2016 and 2015, our income tax provision included an insignificant amount of interest and penalties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Estimates of our uncertain tax positions are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, we will record additional income tax provision or benefit in the period in which such resolution occurs.

Note 13. Stockholders' Equity

Preferred Stock

Our board of directors is authorized to divide the preferred stock into series and, with respect to each series, to determine the preferences and rights and the qualifications, limitations or restrictions of the series, including the dividend rights, conversion rights, voting rights, redemption rights and terms, liquidation preferences, sinking fund provisions, the number of shares constituting the series, and the designation of such series. Our board of directors may, without stockholder approval, issue additional preferred stock of existing or new series with voting and other rights that could adversely affect the voting power of the holders of common stock and could have certain anti-takeover effects.

In February 2014, our board of directors authorized 13,000,000 shares of Hughes Retail Preferred Tracking Stock with a par value of \$0.001 per share, of which 6,290,499 shares were issued to DISH Network on March 1, 2014. Following consummation of the Share Exchange on February 28, 2017, the Hughes Retail Preferred Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to such tracking stock terminated and are of no further effect. See Note 19 for additional information about the Share Exchange.

Common Stock

Our Class A, Class B, and Class C common stock are equivalent except for voting rights. Holders of Class A and Class C common stock are entitled to one vote per share and holders of Class B common stock are entitled to 10 votes per share. Upon a change in control of the Company, each holder of outstanding shares of Class C common stock is entitled to 10 votes for each share of Class C common stock held. Each share of Class B and Class C common stock is convertible, at the option of the holder, into one share of Class A common stock. Our principal stockholder and certain trusts established by him for the benefit of his family own all outstanding Class B common stock. There are no shares of Class C common stock outstanding.

Any holder of Class D common stock is not entitled to a vote on any matter or to convert the shares of Class D common stock into any other class of common stock. There are no shares of Class D common stock outstanding.

Each share of common stock is entitled to receive its pro rata share, based upon the number of shares of common stock held, of dividends and distributions upon liquidation.

Common Stock Repurchase Program

Pursuant to a stock repurchase program approved by our board of directors, we are authorized to repurchase up to \$500.0 million of our outstanding shares of Class A common stock through and including December 31, 2018. For the years ended December 31, 2017, 2016 and 2015, we did not repurchase any common stock under this program.

Note 14. Employee Benefit Plans

Employee Stock Purchase Plan

We have an employee stock purchase plan (the "ESPP"), under which we are authorized to issue 5.0 million shares of Class A common stock. As of December 31, 2017, we had 2.7 million shares of Class A common stock which remain available for issuance under the ESPP. Substantially all full-time employees are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. Under the terms of the ESPP, each employee's deductions are limited so that the maximum they may purchase under the ESPP is \$25,000 in fair value of Class A common stock per year. Stock purchases are made on the last business day of each calendar quarter at 85.0% of the closing price of the Class A common stock on that date. For the years ended December 31, 2017, 2016 and 2015, employee purchases of Class A common stock through the ESPP totaled approximately 176,000 shares, 227,000 shares and 228,000 shares, respectively.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

401(k) Employee Savings Plans

Under the EchoStar 401(k) Plan (“the Plan”), eligible employees are entitled to contribute up to 75.0% of their eligible compensation subject to the maximum contribution limit provided by the Internal Revenue Code of 1986, as amended (the “Code”). Eligible employees have the option to contribute up to 75% of their eligible compensation on a pre-tax and/or after-tax basis subject to the Code limits. All employee contributions to the Plan are immediately vested. The Company matches 50 cents on the dollar for the first 6.0% of each employee’s salary contributions to the Plan for a total of 3.0% match on a pre-tax basis up to a maximum of \$7,500 annually. The Company match is calculated each pay period there is an employee contribution. In addition, the Company may make an annual discretionary contribution to the 401(k) plan to be made in cash or our stock. Company contributions under the Plan vest at 20.0% per year and are 100.0% vested after an eligible employee has completed five years of employment. Forfeitures of unvested participant balances may be used to fund matching and discretionary contributions.

During the years ended December 31, 2017, 2016 and 2015, we recognized matching contributions, net of forfeitures, of \$5.1 million, \$5.9 million and \$5.6 million, respectively, and made discretionary contributions of shares of our Class A common stock, net of forfeitures, with a fair value of \$6.7 million, \$8.0 million and \$7.7 million, respectively (approximately 130,000, 210,500 and 151,000 shares, respectively), to the Plan.

Note 15. Stock-Based Compensation**Stock Incentive Plans**

We maintain stock incentive plans to attract and retain officers, directors and employees. Stock awards under these plans may include both performance-based and non-performance based stock incentives. As of December 31, 2017, we had outstanding under these plans, stock options to acquire approximately 5.0 million shares of our Class A common stock. Stock options granted prior to December 31, 2017 were granted with exercise prices equal to or greater than the market value of our Class A common stock at the date of grant and generally with a maximum term of ten years for our officers and employees and five years for our non-employee directors. While generally we issue stock awards subject to vesting, typically over three to five years, some stock awards have been granted with immediate or longer vesting and other stock awards vest also or only upon the achievement of certain performance objectives. Under these plans, we grant to certain of our employees awards of fully vested shares of Class A common stock under our Employee Innovator Recognition Program, which is available to all of our eligible employees. As of December 31, 2017, we had 8.1 million shares of our Class A common stock available for future grant under our stock incentive plans.

Exercise prices for stock options outstanding and exercisable as of December 31, 2017 are as follows:

Price Range	Options Outstanding			Options Exercisable		
	Number Outstanding as of December 31, 2017	Weighted- Average Remaining Contractual Term (In Years)	Weighted- Average Exercise Price	Number Exercisable as of December 31, 2017	Weighted- Average Remaining Contractual Term (In Years)	Weighted- Average Exercise Price
\$0.00 - \$20.00	57,359	3	\$ 18.63	57,359	3	\$ 18.63
\$20.01 - \$25.00	438,614	2	\$ 20.18	438,614	2	\$ 20.18
\$25.01 - \$30.00	10,210	2	\$ 27.95	10,210	2	\$ 27.95
\$30.01 - \$35.00	352,500	5	\$ 34.22	352,500	5	\$ 34.22
\$35.01 - \$40.00	2,019,000	5	\$ 38.20	1,643,000	4	\$ 38.03
\$40.01 - \$45.00	254,000	8	\$ 43.93	33,200	8	\$ 43.93
\$45.01 - \$50.00	807,173	7	\$ 47.57	428,773	6	\$ 47.68
\$50.01 - \$55.00	354,900	7	\$ 51.98	150,000	7	\$ 52.05
\$55.01 - \$60.00	595,000	9	\$ 56.95	10,000	4	\$ 56.95
\$60.01 and over	62,500	8	\$ 60.70	20,000	5	\$ 60.70
	<u>4,951,256</u>	<u>6</u>	<u>\$ 41.42</u>	<u>3,143,656</u>	<u>4</u>	<u>\$ 36.98</u>

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Stock Award Activity

Our stock option activity was as follows:

	For the Years Ended December 31,					
	2017		2016		2015	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Total options outstanding, beginning of period	5,968,763	\$ 39.30	5,893,241	\$ 38.38	6,669,614	\$ 34.02
Granted (1)	1,262,500	\$ 57.12	732,000	\$ 41.86	929,000	\$ 51.59
Exercised	(1,018,507)	\$ 35.84	(453,182)	\$ 28.83	(894,071)	\$ 27.78
Forfeited and canceled (1)	(1,261,500)	\$ 51.63	(203,296)	\$ 45.15	(811,302)	\$ 29.45
Total options outstanding, end of period	<u>4,951,256</u>	<u>\$ 41.42</u>	<u>5,968,763</u>	<u>\$ 39.30</u>	<u>5,893,241</u>	<u>\$ 38.38</u>
Exercisable at end of period	<u>3,143,656</u>	<u>\$ 36.98</u>	<u>3,551,063</u>	<u>\$ 35.40</u>	<u>3,082,241</u>	<u>\$ 32.61</u>

(1) On April 1, 2017, we granted to Mr. Ergen, our Chairman, an option to purchase 1.1 million shares of Class A common stock. On April 24, 2017, Mr. Ergen voluntarily forfeited a portion of the option covering 600,000 shares and we canceled such forfeited portion of the option.

We realized total tax benefits from stock options exercised of \$3.1 million, \$2.0 million and \$6.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. The aggregate intrinsic value of our stock options exercised was \$19.6 million, \$7.9 million and \$14.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Our restricted stock unit activity was as follows:

	For the Years Ended December 31,					
	2017		2016		2015	
	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Total restricted stock units outstanding, beginning of period	6,667	\$ 34.22	57,328	\$ 42.31	96,768	\$ 29.29
Granted	—	\$ —	—	\$ —	100,000	\$ 50.00
Vested	(6,667)	\$ 34.22	(50,661)	\$ 43.38	(83,992)	\$ 45.72
Forfeited and canceled	—	\$ —	—	\$ —	(55,448)	\$ 27.01
Total restricted stock units outstanding, end of period	<u>—</u>	<u>\$ —</u>	<u>6,667</u>	<u>\$ 34.22</u>	<u>57,328</u>	<u>\$ 42.31</u>
Restricted Performance Units outstanding, end of period	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>	<u>33,334</u>	<u>\$ 50.00</u>

The total fair value of restricted stock units vested was \$0.2 million, \$2.2 million and \$3.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

In 2015, we granted 100,000 restricted stock units (“RSUs”). The RSUs vested based on the attainment of certain quarterly company performance criteria for the second, third and fourth quarters of 2015. In 2015, 66,666 of the RSUs vested and in February 2016 the remaining 33,334 RSUs vested.

Stock-Based Compensation

Total non-cash, stock-based compensation expense for all of our employees is shown in the following table for the years ended December 31, 2017, 2016 and 2015 and was assigned to the same expense categories as the base compensation for such employees:

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	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Research and development expenses	\$ 1,010	\$ 1,046	\$ 1,420
Selling, general and administrative expenses	10,630	9,865	15,707
Total stock-based compensation	<u>\$ 11,640</u>	<u>\$ 10,911</u>	<u>\$ 17,127</u>

The income tax benefits related to stock-based compensation expense was \$3.9 million, \$3.7 million and \$8.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, total unrecognized stock-based compensation cost, net of estimated forfeitures, related to our unvested stock awards was \$20.2 million. This amount is based on an estimated future forfeiture rate of approximately 2.0% per year and will be recognized over a weighted-average period of approximately two years.

Valuation of Stock Options

The fair value of each stock option granted for the years ended December 31, 2017, 2016 and 2015 was estimated at the date of the grant using a Black-Scholes option valuation model. The estimated grant-date fair values and related assumptions were as follows:

Assumptions:	For the Years Ended December 31,		
	2017	2016	2015
Risk-free interest rate	1.98% - 2.05%	1.10% - 1.87%	1.38% - 1.80%
Volatility factor	24.20% - 26.69%	27.22% - 27.37%	27.16% - 27.85%
Expected term of options in years	5.7 - 5.8	5.7 - 5.8	5.3 - 5.4
Weighted-average grant-date fair value	\$15.25 - \$16.49	\$11.15 - \$12.49	\$12.25 - \$15.05

We do not currently intend to pay dividends on our common stock and accordingly, the dividend yield used in the Black-Scholes option valuation model was assumed to be 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 that determined using other valuation models. Further, the Black-Scholes option valuation model requires the input of subjective assumptions. Changes in the subjective input assumptions can materially affect the fair value estimate.

Based on the closing market price of our Class A common stock on December 31, 2017, the aggregate intrinsic value of our stock options was \$91.5 million for options outstanding and \$72.1 million for options exercisable as of December 31, 2017.

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Note 16. Commitments and Contingencies**Commitments**

The following table summarizes our contractual obligations at December 31, 2017:

	Payments Due in the Year Ending December 31,						
	Total	2018	2019	2020	2021	2022	Thereafter
	(In thousands)						
Long-term debt	\$ 3,390,000	\$ —	\$ 990,000	\$ —	\$ 900,000	\$ —	\$ 1,500,000
Capital lease obligations	269,701	40,631	40,740	45,096	46,450	31,985	64,799
Interest on long-term debt and capital lease obligations	1,235,317	248,840	212,466	175,899	136,730	98,282	363,100
Satellite-related obligations	923,910	342,065	139,312	111,662	57,691	124,411	148,769
Operating lease obligations	84,944	15,423	14,385	14,089	11,547	7,588	21,912
Total	<u>\$ 5,903,872</u>	<u>\$ 646,959</u>	<u>\$ 1,396,903</u>	<u>\$ 346,746</u>	<u>\$ 1,152,418</u>	<u>\$ 262,266</u>	<u>\$ 2,098,580</u>

“Satellite-related obligations” primarily include payments pursuant to agreements for the construction of the EchoStar XXIV satellite; payments pursuant to launch services contracts and regulatory authorizations; executory costs for our capital lease satellites; costs under satellite service agreements; and in-orbit incentives relating to certain satellites; as well as commitments for long-term satellite operating leases and satellite service arrangements. We incurred satellite-related expenses of \$139.9 million, \$144.2 million and \$212.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The table above does not include amounts related to deferred tax liabilities, unrecognized tax positions and certain other amounts recorded in our noncurrent liabilities as the timing of any payments is uncertain. The table also excludes long-term deferred revenue and other long-term liabilities that do not require future cash payments.

In certain circumstances, the dates on which we are obligated to pay our contractual obligations could change.

Rent Expense

For the years ended December 31, 2017, 2016 and 2015, we recorded \$29.8 million, \$21.1 million and \$17.9 million, respectively, of operating lease expense relating to the leases of office space, equipment, and other facilities.

Contingencies**Patents and Intellectual Property**

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

Separation Agreement; Share Exchange

In connection with the Spin-off, we entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, we assumed certain liabilities that relate to our business, including certain designated liabilities for acts or omissions that

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occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, we will only be liable for our acts or omissions following the Spin-off and DISH Network will indemnify us for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off, as well as DISH Network's acts or omissions following the Spin-off. Additionally, in connection with the Share Exchange, we entered into the Share Exchange Agreement and other agreements which provide, among other things, for the division of certain liabilities, including liabilities relating to taxes, intellectual property and employees and liabilities resulting from litigation and the assumption of certain liabilities that relate to the transferred businesses and assets. These agreements also contain additional indemnification provisions between us and DISH Network for certain pre-existing liabilities and legal proceedings.

Litigation

We are involved in a number of legal proceedings (including those described below) concerning matters arising in connection with the conduct of our business activities. Many of these proceedings are at preliminary stages and/or seek an indeterminate amount of damages. We regularly evaluate the status of the legal proceedings in which we are involved to assess whether a loss is probable or there is a reasonable possibility that a loss or an additional loss may have been incurred and to determine if accruals are appropriate. We record an accrual for litigation and other loss contingencies when we determine that a loss is probable and the amount of the loss can be reasonably estimated. If accruals are not appropriate, we further evaluate each legal proceeding to assess whether an estimate of possible loss or range of loss can be made. There can be no assurance that legal proceedings against us will be resolved in amounts that will not differ from the amounts of our recorded accruals. Legal fees and other costs of defending litigation are charged to expense as incurred.

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

We intend to vigorously defend the proceedings against us. In the event that a court or jury ultimately rules against us, we may be subject to adverse consequences, including, without limitation, substantial damages, which may include treble damages, fines, penalties, compensatory damages and/or other equitable or injunctive relief that could require us to materially modify our business operations or certain products or services that we offer to our consumers.

Elbit

On January 23, 2015, Elbit Systems Land and C4I LTD and Elbit Systems of America Ltd. (together referred to as "Elbit") filed a complaint against our subsidiary Hughes Network Systems, L.L.C. ("HNS"), as well as against Black Elk Energy Offshore Operations, LLC, Bluetide Communications, Inc. and Helm Hotels Group, in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 6,240,073 (the "073 patent") and 7,245,874 ("874 patent"). The 073 patent is entitled "Reverse Link for a Satellite Communication Network" and the 874 patent is entitled "Infrastructure for Telephony Network." Elbit alleges that the 073 patent is infringed by broadband satellite systems that practice the Internet Protocol Over Satellite standard. Elbit alleges that the 874 patent is infringed by the manufacture and sale of broadband satellite systems that provide cellular backhaul service via connections to E1 or T1 interfaces at cellular backhaul base stations. On April 2, 2015, Elbit filed an amended complaint removing Helm Hotels Group as a defendant, but making similar allegations against a new defendant, Country Home Investments, Inc. On November 3 and 4, 2015, and January 22, 2016, the defendants filed petitions before the United States Patent and Trademark Office challenging the validity of the patents in suit, which the Patent and Trademark Office subsequently declined to institute. On April 13, 2016, the defendants answered Elbit's complaint. At Elbit's request, on June 26, 2017, the court dismissed Elbit's claims of infringement against all parties other than HNS. Trial commenced on July 31, 2017. On August 7, 2017, the jury returned a verdict that the 073 patent was valid and infringed, and awarded Elbit approximately \$21.1 million. As a result of interest, costs and unit sales through the 073 patent's expiration in November 2017, we estimate the jury verdict could result in a judgment of approximately \$27 million if not overturned or modified by post-trial motions or appeals. The jury also found that such infringement of the 073 patent was not

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willful and that the 874 patent was not infringed. HNS intends to vigorously pursue its post-trial rights, including appeals. We cannot predict with certainty the outcome of any post-trial motions or appeals. For the twelve months ended December 31, 2017, we have recorded an accrual of \$2.5 million with respect to this liability. Any eventual payments made with respect to the ultimate outcome of this matter may be different from our accruals and such differences could be significant.

Michael Heskiaoff, Marc Langenohl, and Rafael Mann

On July 10, 2015, Messrs. Michael Heskiaoff and Marc Langenohl, purportedly on behalf of themselves and all others similarly situated, filed suit against our now former subsidiary Sling Media, Inc. in the United States District Court for the Southern District of New York. The complaint alleges that Sling Media Inc.'s display of advertising to its customers violates a number of state statutes dealing with consumer deception. On September 25, 2015, the plaintiffs filed an amended complaint, and Mr. Rafael Mann, purportedly on behalf of himself and all others similarly situated, filed an additional complaint alleging similar causes of action. On November 16, 2015, the cases were consolidated. On August 12, 2016, the Court dismissed the consolidated case due to plaintiffs' failure to state a claim. On September 12, 2016, the plaintiffs moved the Court for leave to file an amended complaint, which the Court denied on March 22, 2017. On April 17, 2017, the plaintiffs filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On November 22, 2017, the United States Court of Appeals for the Second Circuit affirmed the ruling of the United States District Court for the Southern District of New York, and the matter is now concluded.

Realtime Data LLC

On May 8, 2015, Realtime Data LLC ("Realtime") filed suit against EchoStar Corporation and our subsidiary HNS in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent Nos. 7,378,992 (the "992 patent"), entitled "Content Independent Data Compression Method and System"; 7,415,530 (the "530 patent"), entitled "System and Methods for Accelerated Data Storage and Retrieval"; and 8,643,513 (the "513 patent"), entitled "Data Compression System and Methods." On September 14, 2015, Realtime amended its complaint, additionally alleging infringement of United States Patent No. 9,116,908 (the "908 patent"), entitled "System and Methods for Accelerated Data Storage and Retrieval." Realtime generally alleges that the asserted patents are infringed by certain HNS data compression products and services. Over April 29, 2016 and May 5, 2016, the defendants filed petitions before the United States Patent and Trademark Office ("USPTO") challenging the validity of the asserted patents. The USPTO instituted proceedings on each of those petitions. The USPTO invalidated the asserted claims of the 513 patent, but Realtime is still asserting this patent against us and may appeal this ruling. Realtime is no longer asserting the 992 patent against us and additionally, the USPTO invalidated the claims of the 992 patent that had been asserted against us. The USPTO is still reviewing the 530 patent; however, two of the four claims from that patent asserted against us were invalidated in a separate litigation between Realtime and a third party, which Realtime may appeal. The USPTO did not invalidate the asserted claims of the 908 patent, but a third party has challenged these claims in a separate proceeding before the USPTO. On February 14, 2017, Realtime filed a second suit against EchoStar Corporation and our subsidiary HNS in the same District Court, alleging infringement of four additional United States Patents, Nos. 7,358,867 (the "867 patent"), entitled "Content Independent Data Compression Method and System;" 8,502,707 (the "707 patent"), entitled "Data Compression Systems and Methods;" 8,717,204 (the "204 patent"), entitled "Methods for Encoding and Decoding Data;" and 9,054,728 (the "728 patent"), entitled "Data Compression System and Methods." On June 6, 2017, Realtime filed an amended complaint, adding claims of infringement against EchoStar Technologies, L.L.C., a wholly-owned subsidiary of DISH, DISH, DISH Network L.L.C., Sling TV L.L.C., Sling Media L.L.C., and Arris Group, Inc., as well as additionally alleging infringement of United States Patent No. 8,553,759 (the "759 patent"), entitled "Bandwidth Sensitive Data Compression and Decompression." The cases were consolidated and no trial date has been set. On July 20, 2017, the claims against the newly added parties, with the exception of EchoStar Technologies, L.L.C., were severed into a separate case. On September 1, 2017, EchoStar Technologies, L.L.C. was dismissed from the case. On October 10, 2017, Realtime informed us that it is not pursuing the 759 patent against us. In response to petitions filed by third parties, the USPTO has instituted proceedings regarding the validity of all but one asserted claim of the 867 patent, all but one asserted claim of the 728 patent, and all asserted claims of the 204 patent. Additional third party petitions challenging the validity of all claims asserted in the 204 and 728 patents are awaiting institution decisions. On February 13, 2018 we filed petitions before the USPTO challenging the validity of all claims asserted against us from the 707 and 204 patents, as well as the one asserted claim of the 728 patent for which the USPTO has not yet instituted a proceeding. These petitions are also awaiting institution decisions. Trial is scheduled for January 21, 2019. Realtime is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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Shareholder Derivative Litigation

On December 5, 2012, Greg Jacobi, purporting to sue derivatively on behalf of EchoStar Corporation, filed suit (the “Jacobi Litigation”) against Charles W. Ergen, Michael T. Dugan, R. Stanton Dodge, Tom A. Ortolf, C. Michael Schroeder, Joseph P. Clayton, David K. Moskowitz, and EchoStar Corporation in the United States District Court for the District of Nevada. The complaint alleges that a March 2011 attempted grant of 1.5 million stock options to Charles Ergen breached defendants’ fiduciary duties, resulted in unjust enrichment, and constituted a waste of corporate assets.

On December 18, 2012, Chester County Employees’ Retirement Fund, derivatively on behalf of EchoStar Corporation, filed a suit (the “Chester County Litigation”) against Charles W. Ergen, Michael T. Dugan, R. Stanton Dodge, Tom A. Ortolf, C. Michael Schroeder, Anthony M. Federico, Pradman P. Kaul, Joseph P. Clayton, and EchoStar Corporation in the United States District Court for the District of Colorado. The complaint similarly alleges that the March 2011 attempted grant of 1.5 million stock options to Charles Ergen breached defendants’ fiduciary duties, resulted in unjust enrichment, and constituted a waste of corporate assets.

On February 22, 2013, the Chester County Litigation was transferred to the District of Nevada, and on April 3, 2013, the Chester County Litigation was consolidated into the Jacobi Litigation. On March 30, 2015, the Court dismissed the Jacobi Litigation, with leave for Jacobi to amend his complaint. On April 20, 2015, Jacobi filed an amended complaint. On March 17, 2016, the Court dismissed the amended complaint. On July 31, 2017, a motion from the Chester County Employee’s Retirement Fund seeking attorneys’ fees and expenses was denied. Jacobi appealed the amended complaint’s dismissal to the United States Court of Appeals for the Ninth Circuit. On October 9, 2017, Jacobi agreed to dismiss its appeal, with each party bearing its own costs. Accordingly, on October 10, 2017 the Court of Appeals granted a stipulated motion to voluntarily dismiss Jacobi’s appeal, and on October 17, 2017, the District Court entered the Court of Appeal’s mandate. The Chester County and Jacobi matters are now concluded.

Other

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

In our opinion, the amount of ultimate liability with respect to any of these other actions is unlikely to materially affect our financial position, results of operations or cash flows, though the resolutions and outcomes, individually or in the aggregate, could be material to our financial position, operating results or cash flows for any particular period, depending, in part, upon the operating results for such period.

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

EHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 17. Segment Reporting

Operating segments are business components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker (“CODM”), who for EchoStar is the Company’s Chief Executive Officer. Prior to March 2017, we operated in three primary business segments, Hughes, EchoStar Technologies and ESS. Following consummation of the Share Exchange described in Notes 1, 3 and 19 of these consolidated financial statements, we no longer operate the EchoStar Technologies business segment. The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, or EBITDA. Effective in March 2017, we also changed our overhead allocation methodology to reflect how the CODM evaluates our segments. Historically, the costs of all corporate functions were included on an allocated basis in each of the business segments’ EBITDA. Under the revised allocation methodology, these costs are now reported and analyzed as part of “Corporate and Other” (previously “All Other and Eliminations”). Our prior period segment EBITDA disclosures have been restated to reflect this change.

As of March 2017, our two primary business segments are Hughes and ESS, as described in Note 1 of these consolidated financial statements.

Our operations also include various corporate departments (primarily Executive, Strategic Development, Human Resources, IT, Finance, Real Estate and Legal) as well as other activities that have not been assigned to our operating segments, including costs incurred in certain satellite development programs and other business development activities, our centralized treasury operations, and gains (losses) from certain of our investments. Costs and income associated with these departments and activities are accounted for in the “Corporate and Other” column in the table below or in the reconciliation of EBITDA below.

Transactions between segments were not significant for the years ended December 31, 2017, 2016 and 2015. Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis.

EHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

	Hughes	EchoStar Satellite Services	Corporate and Other	Consolidated Total
(In thousands)				
For The Year Ended December 31, 2017				
External revenue	\$ 1,476,131	\$ 390,831	\$ 18,546	\$ 1,885,508
Intersegment revenue	\$ 1,787	\$ 1,413	\$ (3,200)	\$ —
Total revenue	\$ 1,477,918	\$ 392,244	\$ 15,346	\$ 1,885,508
EBITDA	\$ 475,222	\$ 315,285	\$ 4,070	\$ 794,577
Capital expenditures (1)	\$ 376,502	\$ 20,725	\$ 169,157	\$ 566,384
For The Year Ended December 31, 2016				
External revenue	\$ 1,389,152	\$ 406,970	\$ 14,344	\$ 1,810,466
Intersegment revenue	\$ 3,209	\$ 690	\$ (3,899)	\$ —
Total revenue	\$ 1,392,361	\$ 407,660	\$ 10,445	\$ 1,810,466
EBITDA	\$ 477,165	\$ 341,516	\$ (67,676)	\$ 751,005
Capital expenditures (1)	\$ 322,362	\$ 58,925	\$ 247,223	\$ 628,510
For The Year Ended December 31, 2015				
External revenue	\$ 1,344,945	\$ 489,842	\$ 14,070	\$ 1,848,857
Intersegment revenue	\$ 2,395	\$ 749	\$ (3,144)	\$ —
Total revenue	\$ 1,347,340	\$ 490,591	\$ 10,926	\$ 1,848,857
EBITDA	\$ 444,342	\$ 414,727	\$ (143,330)	\$ 715,739
Capital expenditures (1)	\$ 285,499	\$ 101,215	\$ 266,213	\$ 652,927

(1) Capital expenditures are net of refunds and other receipts related to capital expenditures and exclude capital expenditures from discontinued operations of \$12.5 million, \$69.7 million and \$50.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The following table reconciles total consolidated EBITDA to reported “Income from continuing operations before income taxes” in our consolidated statements of operations:

	For the Years Ended December 31,		
	2017	2016	2015
(In thousands)			
EBITDA	\$ 794,577	\$ 751,005	\$ 715,739
Interest income and expense, net	(172,621)	(102,237)	(111,607)
Depreciation and amortization	(522,190)	(432,904)	(460,819)
Net income (loss) attributable to noncontrolling interest in HSS Tracking Stock and other noncontrolling interests	928	762	(3,986)
Income from continuing operations before income taxes	\$ 100,694	\$ 216,626	\$ 139,327

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Geographic Information and Transactions with Major Customers

Geographic Information. Revenue is attributed to geographic regions based upon the location where the goods and services are provided. North America revenue includes transactions with North America customers. All other revenue includes transactions with customers in Asia, Africa, Australia, Europe, South America, and the Middle East. The following table summarizes total long-lived assets and revenue attributed to the North America and other foreign locations.

Long-lived assets:	As of December 31,	
	2017	2016
	(In thousands)	
North America:		
United States	\$ 4,193,432	\$ 4,214,575
Canada and Mexico	28,360	16,630
All other	343,743	296,530
Total long-lived assets	\$ 4,565,535	\$ 4,527,735

Revenue:	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
North America:			
United States	\$ 1,522,421	\$ 1,480,339	\$ 1,528,352
Canada and Mexico	89,928	86,236	67,648
All other	273,159	243,891	252,857
Total revenue	\$ 1,885,508	\$ 1,810,466	\$ 1,848,857

Transactions with Major Customers. For the years ended December 31, 2017, 2016 and 2015, our revenue included sales to one major customer. The following table summarizes sales to this customer and its percentage of total revenue.

	For the Years Ended December 31,		
	2017	2016	2015
	(In thousands)		
Total revenue:			
DISH Network:			
Hughes segment	\$ 82,625	\$ 107,300	\$ 105,181
EchoStar Satellite Services segment	344,841	349,549	423,465
Corporate and Other	18,522	15,433	14,268
Total DISH Network	445,988	472,282	542,914
All other	1,439,520	1,338,184	1,305,943
Total revenue	\$ 1,885,508	\$ 1,810,466	\$ 1,848,857
Percentage of total revenue:			
DISH Network	23.7%	26.1%	29.4%
All other	76.3%	73.9%	70.6%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Note 18. Quarterly Financial Data (Unaudited)

Our quarterly results of operations are summarized as follows:

	For the Three Months Ended			
	March 31	June 30	September 30	December 31 (2)
(In thousands, except per share amounts)				
Year Ended December 31, 2017				
Total revenue (1)	\$ 433,151	\$ 465,076	\$ 481,233	\$ 506,048
Operating income (1)	\$ 51,651	\$ 45,890	\$ 56,414	\$ 42,352
Net income	\$ 37,352	\$ 7,122	\$ 35,201	\$ 313,814
Net income attributable to EchoStar common stock	\$ 38,924	\$ 6,940	\$ 34,669	\$ 313,237
Basic earnings per share	\$ 0.41	\$ 0.07	\$ 0.36	\$ 3.29
Diluted earnings per share	\$ 0.41	\$ 0.07	\$ 0.36	\$ 3.23
Year Ended December 31, 2016				
Total revenue (1)	\$ 431,974	\$ 442,658	\$ 460,046	\$ 475,788
Operating income (1)	\$ 65,730	\$ 75,431	\$ 76,602	\$ 78,400
Net income	\$ 48,443	\$ 55,909	\$ 37,410	\$ 38,930
Net income attributable to EchoStar common stock	\$ 50,674	\$ 56,133	\$ 36,644	\$ 38,222
Basic earnings per share	\$ 0.54	\$ 0.60	\$ 0.39	\$ 0.41
Diluted earnings per share	\$ 0.54	\$ 0.60	\$ 0.39	\$ 0.40

- (1) As a result of the Share Exchange, the consolidated financial statements of the EchoStar Technologies businesses have been presented as discontinued operations and, as such, have been excluded from the quarterly financial data presented above for all periods presented. See Note 3 in the notes to consolidated financial statements for further discussion of our discontinued operations.
- (2) Net income and related per share amounts for the three months ended December 31, 2017 include a discrete income tax benefit of \$303.5 million related to the enactment of federal tax legislation in December 2017, a gain of \$22.8 million on our trading securities, and an impairment loss of \$10.8 million relating to our regulatory authorizations with indefinite lives and certain projects in construction in progress. See Note 12 for additional information relating to the income tax benefit.

Note 19. Related Party Transactions**DISH Network**

Following the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies. However, prior to the consummation of the Share Exchange on February 28, 2017, DISH Network owned the Tracking Stock representing an aggregate 80.0% economic interest in the residential retail satellite broadband business of our Hughes segment. Following the consummation of the Share Exchange, the Tracking Stock was retired. In addition, a substantial majority of the voting power of the shares of each of EchoStar Corporation and DISH is owned beneficially by Charles W. Ergen, our Chairman, and by certain trusts established by Mr. Ergen for the benefit of his family.

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

The following is a summary of the terms of our principal agreements with DISH Network that may have an impact on our financial condition and results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Equipment revenue — DISH Network

Equipment revenue - DISH Network consists primarily of sales of broadband equipment under the Hughes Broadband Distribution Agreement described below under Services and other revenue — DISH Network.

Services and other revenue — DISH Network

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

EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV. As part of the Satellite and Tracking Stock Transaction described below, in March 2014, we began providing certain satellite services to DISH Network on the EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV satellites. The term of each satellite services agreement generally terminates upon the earlier of: (i) the end of life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. DISH Network generally has the option to renew each satellite service agreement on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised. In December 2016, DISH Network renewed the satellite services agreement relative to the EchoStar VII satellite for one year to June 2018. DISH Network has not renewed the agreement relative to the EchoStar VII satellite past such date.

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

EchoStar XII. DISH Network received satellite services from us on the EchoStar XII satellite. The term of the satellite services agreement expired at the end of September 2017.

EchoStar XVI. In December 2009, we entered into an initial ten-year transponder service agreement with DISH Network, pursuant to which DISH Network has received satellite services from us on the EchoStar XVI satellite since January 2013. Effective December 2012, we and DISH Network amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. In July 2016, we and DISH Network further amended the transponder service agreement to, among other things, extend the initial term by one additional year through January 2018 and to reduce the term of the first renewal option by one year. In May 2017, DISH Network renewed the satellite services agreement relative to the EchoStar XVI satellite for five-years to January 2023. DISH Network has the option to renew for an additional five-year period prior to expiration of the term. There can be no assurance that such option to renew this agreement will be exercised. In the event that DISH Network does not exercise its five-year renewal option, DISH Network has the option to purchase the EchoStar XVI satellite for a certain price. If DISH Network does not elect to purchase the EchoStar XVI satellite at that time, we may sell the EchoStar XVI satellite to a third party and DISH Network is required to pay us a certain amount in the event we are not able to sell the EchoStar XVI satellite for more than a certain amount.

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

Under the terms of the DISH Nimiq 5 Agreement, DISH Network makes certain monthly payments to us that commenced in September 2009, when the Nimiq 5 satellite was placed into service, and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire in October 2019. Upon expiration of the initial term, DISH Network has the option to renew the DISH Nimiq 5 Agreement on a year-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

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

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

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

In connection with the 103 Spectrum Development Agreement, in May 2012, we also entered into a ten-year service agreement with Ciel pursuant to which we receive certain satellite services from Ciel on the SES-3 satellite at the 103 degree orbital location. In June 2013, we and DISH Network entered into an agreement pursuant to which DISH Network receives certain satellite services from us on the SES-3 satellite (the “DISH 103 Service Agreement”). Under the terms of the DISH 103 Service Agreement, DISH Network makes certain monthly payments to us through the service term. Unless earlier terminated under the terms and conditions of the DISH 103 Service Agreement, the initial service term will expire on the earlier of: (i) the date the SES-3 satellite fails; (ii) the date the transponder(s) on which service was being provided under the agreement fails; or (iii) June 2023. Upon in-orbit failure or end of life of the SES-3 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that DISH Network will exercise its option to receive service on a replacement satellite.

TT&C Agreement. Effective January 2012, we entered into a telemetry, tracking and control (“TT&C”) agreement pursuant to which we provide TT&C services to DISH Network for a period ending in December 2016 (the “TT&C Agreement”). In November 2016, we and DISH Network amended the TT&C Agreement to extend the term for one year through December 2017. In December 2017, we and DISH Network amended the TT&C Agreement to extend the term for one month through January 2018. In January and February 2018, we and DISH Network amended the TT&C Agreement to extend the term through February 2018. The fees for services provided under the TT&C Agreement are calculated at either: (i) a fixed fee or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. DISH Network is able to terminate the TT&C Agreement for any reason upon 60 days’ notice.

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

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period that we received satellite services on the EchoStar XV satellite from DISH Network, we waived the fees for the TT&C services on the EchoStar XV satellite. Effective August 2016, we provide TT&C services to DISH Network for the EchoStar XVIII satellite.

Real Estate Leases to DISH Network. We have entered into lease agreements pursuant to which DISH Network leases certain real estate from us. The rent on a per square foot basis for each of the leases is comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and DISH Network 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:

100 Inverness Lease Agreement. In connection with the Share Exchange, effective March 2017, DISH Network leases from us certain space at 100 Inverness Terrace East, Englewood, Colorado for a period ending in December 2020. This agreement may be terminated by either party upon 180 days' prior notice. This agreement may be extended by mutual consent, in which case this agreement will be converted to a month-to-month lease agreement. Upon extension, either party has the right to terminate this agreement upon 30 days' notice.

90 Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East, Englewood, Colorado was for a period ending in December 2016. In February 2016, DISH Network terminated this lease effective in August 2016.

Meridian Lease Agreement. The lease for all of 9601 S. Meridian Blvd., Englewood, Colorado was for a period ending in December 2016. Effective December 2016, we and DISH Network amended this lease to, among other things, extend the term for one year through December 2017. In December 2017, we and DISH Network further amended this lease to, among other things, extend the term for one year through December 2018. This agreement may be extended by mutual consent, in which case this agreement will be converted to a month-to-month lease agreement. Upon extension, either party has the right to terminate this agreement upon 30 days' notice.

Santa Fe Lease Agreement. The lease for all of 5701 S. Santa Fe Dr., Littleton, Colorado was for a period ending in December 2016. Effective December 2016, we and DISH Network amended this lease to, among other things, extend the term for one year through December 2017. In December 2017, we and DISH Network further amended this lease to, among other things, extend the term for one year through December 2018. This agreement may be extended by mutual consent, in which case this agreement will be converted to a month-to-month lease agreement. Upon extension, either party has the right to terminate this agreement upon 30 days' notice.

Atlanta Sublease Agreement. The sublease for certain space at 211 Perimeter Center, Atlanta, Georgia terminated in October 2016.

Cheyenne Lease Agreement. Prior to the Share Exchange, we leased to DISH Network certain space at 530 EchoStar Drive, Cheyenne, Wyoming. In connection with the Share Exchange, we transferred ownership of a portion of this property to DISH Network and we and DISH Network amended this agreement to (i) terminate the lease for the transferred space and (ii) provide for a continued lease to DISH Network of the portion of the property we retained for a period ending in December 2031. This agreement may be extended by mutual consent, in which case this agreement will be converted to a month-to-month lease agreement. Upon extension, either party has the right to terminate this agreement upon 30 days' notice.

TerreStar Agreement. In March 2012, DISH Network completed its acquisition of substantially all the assets of TerreStar Networks Inc. ("TerreStar"). Prior to DISH Network's acquisition of substantially all the assets of TerreStar and our completion of the Hughes Acquisition, TerreStar and HNS entered into various agreements pursuant to which our Hughes segment provides, among other things, warranty, operations and maintenance and hosting services for TerreStar's ground-based communications equipment. In December 2017, we and DISH Network amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DISH Network generally has the right to continue to receive warranty services from us for our products on a month-to-month basis unless terminated by DISH Network upon at least 21 days' written notice to us. DISH Network generally has the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis unless operations and maintenance services are terminated by DISH Network upon at least 90 days' written notice to us. The provision of hosting services will continue until May 2022 and will not renew beyond May 2022 unless the parties enter into a new agreement or amend the existing agreement. In addition, DISH Network generally may terminate any and all services for convenience subject to providing us with prior notice and/or payment of termination charges.

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

DBSD North America Agreement. In March 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America, Inc. (“DBSD North America”). Prior to DISH Network’s acquisition of DBSD North America and our completion of the Hughes Acquisition, DBSD North America and HNS entered into various agreements pursuant to which our Hughes segment provides, among other things, warranty, operations and maintenance and hosting services of DBSD North America’s gateway and ground-based communications equipment. In December 2017, we and DBSD amended these agreements, effective as of January 1, 2018, to reduce certain pricing terms through December 31, 2023 and to modify certain termination provisions. DBSD North America generally has the right to continue to receive warranty services from us on a month-to-month basis until February 2019 unless terminated by DBSD upon at least 21 days’ written notice to us and the right to continue to receive operations and maintenance services from us on a quarter-to-quarter basis unless terminated by DBSD North America upon at least 120 days’ written notice to us. The provision of hosting services will continue until February 2022 and will automatically renew for an additional five-year period until February 2027 unless terminated by DBSD North America upon at least 180 days’ written notice to us. In addition, DBSD North America generally may terminate any and all such services for convenience, subject to providing us with prior notice and/or payment of termination charges.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. (“DISH Broadband”), DISH’s indirect, wholly-owned subsidiary, was selected by the Rural Utilities Service (“RUS”) of the United States Department of Agriculture to receive up to approximately \$14.1 million in broadband stimulus grant funds (the “Grant Funds”). Effective November 2011, HNS and DISH Broadband entered into a RUS Implementation Agreement (the “RUS Agreement”) pursuant to which HNS provided certain portions of the equipment and broadband service used to implement DISH Broadband’s RUS program. While the RUS Agreement expired in June 2013 when the Grant Funds were exhausted, HNS is required to continue providing services to DISH Broadband’s customers activated prior to the expiration of the RUS Agreement in accordance with the terms and conditions of the RUS Agreement.

General and administrative expenses — DISH Network

Amended and Restated Professional Services Agreement. In connection with the Spin-off, we entered into various agreements with DISH Network including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired in January 2010 and were replaced by a Professional Services Agreement. In January 2010, we and DISH Network agreed that we 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. Mr. Vivek Khemka, who remained employed as DISH Network’s Executive Vice President and Chief Technology Officer, provided services to us during portions of 2016 and through February 2017 pursuant to the Professional Services Agreement as President -- EchoStar Technologies L.L.C. Additionally, we and DISH Network agreed that DISH Network would continue to have the right, but not the obligation, to engage us to manage the process of procuring new satellite capacity for DISH Network (previously provided under the Satellite Procurement Agreement), receive logistics, procurement and quality assurance services from us (previously provided under the Services Agreement) and other support services. In connection with the consummation of the Share Exchange, we and DISH amended and restated the Professional Services Agreement to provide that we and DISH Network shall have the right to receive additional services that either we or DISH Network may require as a result of the Share Exchange. The term of the Amended and Restated Professional Services Agreement is through January 2019 and renews automatically for successive one-year periods thereafter, unless the agreement is terminated earlier by either party upon at least 60 days’ notice. However, either party may generally terminate the Amended

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and Restated Professional Services Agreement in part with respect to any particular service it receives for any reason upon at least 30 days' notice.

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

Cheyenne Lease Agreement. In connection with the Share Exchange, effective March 2017 we lease from DISH Network certain space at 530 EchoStar Drive in Cheyenne, Wyoming for a period ending in February 2019. EchoStar has the option to renew this lease for thirteen one-year periods.

Gilbert Lease Agreement. In connection with the Share Exchange, effective March 2017 we lease from DISH Network certain space at 801 N. DISH Dr. in Gilbert, Arizona for a period ending in February 2019. EchoStar has the option to renew this lease for thirteen one-year periods.

American Fork Occupancy License Agreement. In connection with the Share Exchange, effective March 2017, we sublease from DISH Network certain space at 796 East Utah Valley Drive in American Fork, Utah for a period ending in August 2017. We have exercised our option to renew this sublease for a five-year period ending in August 2022.

Employee Matters Agreement. Effective March 2017 in connection with the Share Exchange, we and DISH Network entered into an Employee Matters Agreement that addresses the transfer of employees from EchoStar to DISH Network, including certain benefit and compensation matters and the allocation of responsibility for employee related liabilities relating to current and past employees of the transferred businesses. DISH Network assumed employee-related liabilities relating to the transferred businesses as part of the Share Exchange, except that we are responsible for certain existing employee related litigation as well as certain pre-Share Exchange compensation and benefits for employees transferring to DISH Network in connection with the Share Exchange.

Collocation and Antenna Space Agreements. We and DISH Network have entered into an agreement pursuant to which DISH Network provides us with collocation space in El Paso, Texas. This agreement was for an initial period ending in August 2015, and provides us with renewal options for four consecutive years. Effective August 2015, we exercised our first renewal option for a period ending in August 2018. In connection with the Share Exchange, effective March 2017, we also entered into certain agreements pursuant to which DISH Network will provide collocation and antenna space to EchoStar through February 2022 at the following locations: Cheyenne, Wyoming; Gilbert, Arizona; New Braunfels, Texas; Monee, Illinois; Spokane, Washington; and Englewood, Colorado. In August 2017, we and DISH Network also entered into certain other agreements pursuant to which DISH Network will provide additional collocation and antenna space to EchoStar in Monee, Illinois and Spokane, Washington through August 2022. EchoStar may renew each of these agreements for four three-year periods by providing DISH Network with prior written notice no more than 120 days but no less than 90 days prior to the end of the then-current term. EchoStar may terminate certain of these agreements with 180 days' prior written notice. The fees for the services provided under these agreements depend on the number of racks leased at the location.

Other agreements — DISH Network

Satellite and Tracking Stock Transaction. In February 2014, we entered into agreements with DISH Network to implement a transaction pursuant to which, among other things: (i) in March 2014, EchoStar and HSS issued shares of the Tracking Stock to DISH Network in exchange for five satellites owned by DISH Network (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV) (including assumption of related in-orbit incentive obligations) and approximately \$11.4 million in cash; and (ii) in March 2014, DISH Network began receiving certain satellite services as discussed above on these five satellites from us (collectively, the "Satellite and Tracking Stock Transaction.") The Tracking Stock was retired in March 2017 and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect. See Note 3 for further information.

Share Exchange Agreement. On January 31, 2017, EchoStar Corporation and certain of its subsidiaries entered into the Share Exchange Agreement with DISH and certain of its subsidiaries pursuant to which, on February 28, 2017, EchoStar Corporation and its subsidiaries received all of the shares of the Tracking Stock in exchange for 100% of the equity interests of certain EchoStar subsidiaries that held substantially all of our EchoStar Technologies businesses and certain other assets. Following

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

consummation of the Share Exchange on February 28, 2017, EchoStar no longer operates the transferred EchoStar Technologies businesses and the Tracking Stock was retired and is no longer outstanding and all agreements, arrangements and policy statements with respect to such Tracking Stock terminated and are of no further effect. Pursuant to the Share Exchange Agreement, EchoStar transferred certain assets, investments in joint ventures, spectrum licenses and real estate properties and DISH Network assumed certain liabilities relating to the transferred assets and businesses. The Share Exchange Agreement contains customary representations and warranties by the parties, including representations by EchoStar related to the transferred assets, assumed liabilities and the financial condition of the transferred businesses. EchoStar and DISH Network have also agreed to customary indemnification provisions whereby each party indemnifies the other against certain losses with respect to breaches of representations, warranties or covenants and certain liabilities and if certain actions undertaken by it causes the transaction to be taxable to the other party after closing. See Note 3 for further information.

Hughes Broadband Master Services Agreement. In March 2017, HNS and DISH Network L.L.C. (“DNLLC”), a wholly-owned subsidiary of DISH, entered into a master service agreement (the “MSA”) pursuant to which DNLLC, among other things: (i) has the right, but not the obligation, to market, promote and solicit orders and upgrades for the Hughes service and related equipment and other telecommunication services and (ii) installs Hughes service equipment with respect to activations generated by DNLLC. Under the MSA, HNS and DNLLC will make certain payments to each other relating to sales, upgrades, purchases and installation services. The MSA has an initial term of five years until March 2022 with automatic renewal for successive one-year terms. After the first anniversary, either party has the ability to terminate the MSA, in whole or in part, for any reason upon at least 90 days’ notice to the other party. Upon expiration or termination of the MSA, HNS will continue to provide the Hughes service to subscribers and make certain payments to DNLLC pursuant to the terms and conditions of the MSA. We incurred SAC and other costs under the MSA totaling \$29.3 million for the year ended December 31, 2017.

Intellectual Property and Technology License Agreement. Effective March 2017 in connection with the Share Exchange, we and DISH Network entered into an Intellectual Property and Technology License Agreement (“IPTLA”) pursuant to which we and DISH and our and their respective subsidiaries license to each other certain intellectual property and technology. The IPTLA will continue in perpetuity, unless mutually terminated by the parties. Pursuant to the IPTLA, we granted to DISH Network a license to our intellectual property and technology for use by DISH Network, among other things, in connection with its continued operation of the businesses acquired pursuant to the Share Exchange, including a limited license to use the “ECHOSTAR” trademark during a transition period. EchoStar retains full ownership of the “ECHOSTAR” trademark. In addition, DISH Network granted a license back to us, among other things, for the continued use of all intellectual property and technology that is used in our retained businesses but the ownership of which was transferred to DISH Network pursuant to the Share Exchange.

Tax Matters Agreement. Effective March 2017, in connection with the Share Exchange, we and DISH entered into a tax matters agreement. This agreement governs certain of our rights, responsibilities and obligations with respect to taxes of the transferred businesses pursuant to the Share Exchange. Generally, we are responsible for all tax returns and tax liabilities for the transferred businesses and assets for periods prior to the Share Exchange and DISH Network is responsible for all tax returns and tax liabilities for the transferred businesses and assets from and after the Share Exchange. Both we and DISH Network have made certain tax-related representations and are subject to various tax-related covenants after the consummation of the Share Exchange. Both we and DISH Network have agreed to indemnify each other if there is a breach of any such tax representation or violation of any such tax covenant and that breach or violation results in the Share Exchange not qualifying for tax free treatment for the other party. In addition, DISH Network has agreed to indemnify us if the transferred businesses are acquired, either directly or indirectly (e.g., via an acquisition of DISH Network), by one or more persons and such acquisition results in the Share Exchange not qualifying for tax free treatment. The tax matters agreement supplements the Tax Sharing Agreement outlined below, which continues in full force and effect.

Tax Sharing Agreement. Effective December 2007, we and DISH Network entered into a tax sharing agreement (the “Tax Sharing Agreement”) in connection with the Spin-off. This agreement 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 indemnifies us for such taxes. However, DISH Network is not liable for and does not indemnify us for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended, because of: (i) a direct or indirect acquisition of any of our stock, stock options or assets; (ii) any action that we take or fail to take; or (iii) any action that we take that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

with respect to the Spin-off or certain related transactions. In such case, we will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The Tax Sharing Agreement will 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 our consolidated federal income tax returns for certain tax years prior to and for the year of the Spin-off, in September 2013, we and DISH Network agreed upon a supplemental allocation of the tax benefits arising from certain tax items resolved in the course of the IRS's examination of our consolidated tax returns. Prior to the agreement with DISH Network in 2013, the federal tax benefits were reflected as a deferred tax asset for depreciation and amortization, which was netted in our noncurrent deferred tax liabilities. The agreement with DISH Network in 2013 requires DISH Network to pay us the federal tax benefit it receives at such time as we would have otherwise been able to realize such tax benefit. We recorded a noncurrent receivable from DISH Network in "Other receivable — DISH Network" and a corresponding increase in our net noncurrent deferred tax liabilities to reflect the effects of this agreement in September 2013. In addition, in September 2013, we and DISH Network agreed upon a tax sharing arrangement for filing certain combined state income tax returns and a method of allocating the respective tax liabilities between us and DISH Network for such combined returns, through the taxable period ending on December 31, 2017 (the "State Tax Arrangement").

We and DISH Network file combined income tax returns in certain states. In 2016, we earned and recognized a tax benefit for certain state income tax credits that we would be unable to utilize currently if we had filed separately from DISH Network. DISH Network expects to utilize these tax credits to reduce its state income tax payable. We expect to increase additional paid-in capital upon receipt of any consideration paid to us by DISH Network in exchange for these tax credits.

gTLD Bidding Agreement. In April 2015, we and DISH Network entered into a gTLD Bidding Agreement whereby, among other things: (i) DISH Network obtained rights from us to participate in a generic top level domain ("gTLD") auction, assuming all rights and obligations from us related to our application with the Internet Corporation for Assigned Names and Numbers ("ICANN") for a particular gTLD; (ii) DISH Network agreed to reimburse us for our ICANN application fee and certain out-of-pocket expenses related to the application and the auction; and (iii) we and DISH Network agreed to split equally the net proceeds obtained by DISH Network as the losing bidder in the auction, less such fee reimbursement and out-of-pocket expenses.

Patent Cross-License Agreements. In December 2011, we and DISH Network entered into separate patent cross-license agreements with the same third party whereby: (i) we and such third party licensed our 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 2017 and aggregate payments under both Cross-License Agreements total less than \$10.0 million. Each Cross-License Agreement contained an option to extend each Cross-License Agreement to include patents acquired by the respective party prior to January 2022. In December 2016, both we and DISH Network exercised our renewal options, resulting in aggregate additional payments to such third party totaling less than \$3.0 million. Since the aggregate payments under both Cross-License Agreements were based on the combined annual revenue of us and DISH Network, we and DISH Network agreed to allocate our respective payments to such third party based on our respective percentage of combined total revenue.

Caltech. On October 1, 2013, Caltech Institute of Technology ("Caltech") filed complaints against two of our subsidiaries, Hughes Communications, Inc. and HNS, as well as against DISH and certain of its subsidiaries, in the United States District Court for the Central District of California alleging infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781; and 8,284,833, each of which is entitled "Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes." Caltech asserted that encoding data as specified by the DVB-S2 standard infringed each of the asserted patents. Caltech claimed that certain of our Hughes segment's satellite broadband products and services, infringed the asserted patents by implementing the DVB-S2 standard. Pursuant to a settlement agreement among us, DISH and Caltech, in May 2016, Caltech dismissed with prejudice all of its claims in these actions.

Orange, NJ. In October 2016, we and DISH Network sold two parcels of real estate owned separately by us and DISH Network in Orange, NJ to a third party pursuant to a purchase and sale agreement. Pursuant to the agreement, we and DISH Network separately received our respective payments from the buyer.

EHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Invidi. In November 2010 and April 2011, we made investments in Invidi Technologies Corporation (“Invidi”) in exchange for shares of Invidi’s Series D Preferred Stock. In November 2016, DIRECTV, LLC, a wholly owned indirect subsidiary of AT&T Inc., DISH Network and Cavendish Square Holding B.V., an affiliate of WPP plc, entered into a series of agreements to acquire Invidi. As a result of the transaction, we sold our ownership interest in Invidi on the same terms offered to the other shareholders of Invidi. The transaction closed in January 2017.

Other Agreements

Hughes Systique Corporation (“Hughes Systique”)

We contract with Hughes Systique for software development services. In 2008, Hughes Communications, Inc. loaned \$1.5 million to Hughes Systique pursuant to a term loan facility. The initial interest rate on the outstanding loans was 6%, payable annually, and the accrued and unpaid interest was added to the principal amount outstanding under the loan facility in certain circumstances. The loans were convertible into shares of Hughes Systique upon non-payment or an event of default. In May 2014, we amended the term loan facility to increase the interest rate from 6% to 8%, payable annually, to reflect then-current market conditions and extend the maturity date of the loans to May 1, 2015, and in April 2015, we extended the maturity date of the loans to May 1, 2016 on the same terms. In 2015, Hughes Systique repaid \$1.5 million of the outstanding principal of the loan facility. In 2016, Hughes Systique repaid \$0.6 million of the outstanding principal of the loan facility. As of December 31, 2017, the principal amount outstanding of the loan facility was zero. In addition to our 43.7% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications, Inc. and a member of our board of directors, and his brother, who is the CEO and President of Hughes Systique, in the aggregate, own approximately 25.7%, on an undiluted basis, of Hughes Systique’s outstanding shares as of December 31, 2017. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. Hughes Systique is a variable interest entity and we are considered the primary beneficiary of Hughes Systique due to, among other factors, our ability to direct the activities that most significantly impact the economic performance of Hughes Systique. As a result, we consolidate Hughes Systique’s financial statements in our consolidated financial statements.

Dish Mexico

We own 49.0% of an entity that provides direct-to-home satellite services in Mexico known as Dish Mexico. We provide certain satellite services to Dish Mexico and prior to the Share Exchange we also provided certain broadcast services and sold hardware such as digital set-top boxes and related equipment to Dish Mexico. We recognized revenue from sales of services we provided to Dish Mexico in continuing operations of approximately \$23.3 million for each of the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017 and 2016, we had trade accounts receivable from Dish Mexico of approximately \$7.6 million and \$10.7 million, respectively.

Deluxe/EchoStar LLC

We own 50.0% of Deluxe/EchoStar LLC (“Deluxe”), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. We account for our investment in Deluxe using the equity method. We recognized revenue from Deluxe for transponder services and the sale of broadband equipment of approximately \$4.9 million, \$3.0 million and \$2.7 million for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, we had trade accounts receivable from Deluxe of approximately \$1.1 million and \$0.7 million, respectively.

AsiaSat

We contract with AsiaSat Telecommunications Inc. (“AsiaSat”) for the use of transponder capacity on one of AsiaSat’s satellites. Mr. William David Wade, who joined our board of directors in February 2017, served as the Chief Executive Officer of AsiaSat in 2016 and as a senior advisor to the CEO of AsiaSat through March 2017. We incurred expenses payable to AsiaSat under this agreement of approximately \$0.1 million for the year ended December 31, 2017.

Global IP

In May 2017, one of our subsidiaries entered into an agreement with Global-IP Cayman (“Global IP”) providing for the sale of certain equipment and services to Global IP. Mr. William David Wade, a member of our board of directors, serves as a member

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

of the board of directors of Global IP and as an executive advisor to the CEO of Global IP. We recognized revenue of approximately \$0.3 million from Global IP under this agreement for the year ended December 31, 2017.

Discontinued Operations

The following agreements or investments were terminated or transferred to DISH Network as part of the Share Exchange and EchoStar has no further obligations and has earned no additional revenue or incurred no additional expense, as applicable, under these agreements or investments after February 2017. Historical transactions under this agreement are reported in “Net income (loss) from discontinued operations” in our consolidated statements of operations (see Note 3).

Set-Top Box Application Development Agreement. In November 2012, one of our former subsidiaries and DISH Network entered into a set-top box application development agreement (the “Application Development Agreement”) pursuant to which we provided DISH Network with certain services relating to the development of web-based applications for set-top boxes. The fees for services provided under the Application Development Agreement were calculated at our cost of providing the relevant service plus a fixed margin, which depended on the nature of the services provided.

Receiver Agreement. Effective January 2012, one of our former subsidiaries and DISH Network entered into a receiver agreement (the “2012 Receiver Agreement”), pursuant to which DISH Network had the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment from us. The 2012 Receiver Agreement replaced the receiver agreement one of our former subsidiaries entered into with DISH Network in connection with the Spin-off. The 2012 Receiver Agreement allowed DISH Network to purchase digital set-top boxes, related accessories, and other equipment from us either: (i) at cost (decreasing as we reduced costs and increasing as costs increased) plus a dollar mark-up which depended upon the cost of the product subject to a collar on our mark-up; or (ii) at cost plus a fixed margin, which depended on the nature of the equipment purchased. Under the 2012 Receiver Agreement, our margins would have increased if we were able to reduce the costs of our digital set-top boxes and our margins would have reduced if these costs increased. One of our former subsidiaries provided DISH Network with standard manufacturer warranties for the goods sold under the 2012 Receiver Agreement. Additionally, the 2012 Receiver Agreement included an indemnification provision, whereby the parties agreed to indemnify each other for certain intellectual property matters.

Broadcast Agreement. Effective January 2012, one of our former subsidiaries and DISH Network entered into a broadcast agreement (the “2012 Broadcast Agreement”), pursuant to which we provided certain broadcast services to DISH Network, including teleport services such as transmission and downlinking, channel origination services, and channel management services. The fees for the services provided under the 2012 Broadcast Agreement were calculated at either: (a) our cost of providing the relevant service plus a fixed dollar fee, which was subject to certain adjustments; or (b) our cost of providing the relevant service plus a fixed margin, depending on the nature of the services provided.

Broadcast Agreement for Certain Sports Related Programming. In May 2010, one of our former subsidiaries and DISH Network entered into a broadcast agreement pursuant to which we provided certain broadcast services to DISH Network in connection with its carriage of certain sports related programming. The fees for the broadcast services provided under this agreement depended, among other things, upon the cost to develop and provide such services.

Gilbert Lease Agreement. DISH Network leased certain space from us at 801 N. DISH Drive, Gilbert, Arizona. The rent on a per square foot basis for this lease was comparable to per square foot rental rates of similar commercial property in the same geographic area at the time of the lease, and DISH Network was responsible for its portion of the taxes, insurance, utilities and maintenance of the premises.

Product Support Agreement. In connection with the Spin-off, one of our former subsidiaries entered into a product support agreement pursuant to which DISH Network had the right, but not the obligation, to receive product support from us (including certain engineering and technical support services) for all set-top boxes and related accessories that we had previously sold to DISH Network. The fees for the services provided under the product support agreement were calculated at cost plus a fixed margin, which varied depending on the nature of the services provided. The term of the product support agreement was the economic life of such set-top boxes and related accessories, unless terminated earlier.

DISHOnline.com Services Agreement. Effective January 2010, DISH Network entered into a two-year agreement with one of our former subsidiaries pursuant to which DISH Network received certain services associated with an online video portal. The

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

fees for the services provided under this services agreement depended, among other things, upon the cost to develop and operate such services.

DISH Remote Access Services Agreement. Effective February 2010, one of our former subsidiaries entered into an agreement with DISH Network pursuant to which DISH Network received, among other things, certain remote digital video recorder (“DVR”) management services. The fees for the services provided under this services agreement depended, among other things, upon the cost to develop and operate such services.

SlingService Services Agreement. Effective February 2010, one of our former subsidiaries entered into an agreement with DISH Network pursuant to which DISH Network received certain services related to plceshifting. The fees for the services provided under this services agreement depended, among other things, upon the cost to develop and operate such services.

XiP Encryption Agreement. In July 2012, we entered into an encryption agreement with DISH Network for our whole-home HD DVR line of set-top boxes (the “XiP Encryption Agreement”) pursuant to which we provided 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 XiP Encryption Agreement’s term ended on the same day as the 2012 Receiver Agreement. The fees for the services provided under the XiP Encryption Agreement were calculated on a monthly basis based on the number of receivers utilizing such security measures each month.

Sling TV Holding L.L.C. (“Sling TV Holding”). Effective July 2012, we and DISH Network formed Sling TV Holding, which was owned two-thirds by DISH Network and one-third by us. Sling TV Holding was formed to develop and commercialize certain advanced technologies. At that time, we, DISH Network and Sling TV Holding entered into the following agreements with respect to Sling TV Holding: (i) a contribution agreement pursuant to which we and DISH Network contributed certain assets in exchange for our respective ownership interests in Sling TV Holding; (ii) a limited liability company operating agreement (“Operating Agreement”), which provided for the governance of Sling TV Holding; and (iii) a commercial agreement (“Commercial Agreement”) pursuant to which, among other things, Sling TV Holding had: (a) certain rights and corresponding obligations with respect to its business; and (b) the right, but not the obligation, to receive certain services from us and DISH Network, respectively. Additionally, the spouse of Mr. Vivek Khemka, who was the President - EchoStar Technologies L.L.C. during portions of 2016 and through February 2017, was employed during 2016 as Vice President of Business Development and Operations of Sling TV Holding.

Effective August 2014, we and Sling TV Holding entered into an exchange agreement (“Exchange Agreement”) pursuant to which, among other things, Sling TV Holding distributed certain assets to us and we reduced our interest in Sling TV Holding to a 10.0% non-voting interest. As a result, DISH Network had a 90.0% equity interest and a 100% voting interest in Sling TV Holding. In addition, we, DISH Network and Sling TV Holding amended and restated the Operating Agreement, primarily to reflect the changes implemented by the Exchange Agreement. Finally, we, DISH Network and Sling TV Holding amended and restated the Commercial Agreement, pursuant to which, among other things, Sling TV Holding: (1) had certain rights and corresponding obligations with respect to its business; (2) had the right, but not the obligation, to receive certain services from us and DISH Network; and (3) had a license from us to use certain of the assets distributed to us as part of the Exchange Agreement.

Remanufactured Receiver and Services Agreement. In connection with the Spin-off, one of our former subsidiaries entered into a remanufactured receiver and services agreement with DISH Network pursuant to which we had the right, but not the obligation, to purchase remanufactured receivers and related components from DISH Network at cost plus a fixed margin, which varied depending on the nature of the equipment purchased.

Intellectual Property Matters Agreement. We entered into an Intellectual Property Matters Agreement with DISH Network in connection with the Spin-off. The Intellectual Property Matters Agreement governed our relationship with DISH Network with respect to patents, trademarks and other intellectual property. Pursuant to the Intellectual Property Matters Agreement, DISH Network irrevocably assigned to us all right, title and interest in certain patents, trademarks and other intellectual property necessary for the operation of our set-top box business. In addition, the agreement permitted us to use, in the operation of our set-top box business, certain other intellectual property currently owned or licensed by DISH Network. In addition, DISH Network was prohibited from using the “EchoStar” name as a trademark, except in certain limited circumstances. Similarly, the Intellectual Property Matters Agreement provided that we would not make any use of the name or trademark “DISH Network” or any other trademark owned by DISH Network, except in certain circumstances.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

TiVo. In April 2011, we and DISH Network entered into a settlement agreement with TiVo, Inc. (“TiVo”). The settlement resolved all pending litigation between us and DISH Network, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH Network DVRs. Under the settlement agreement, all pending litigation was dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by us or DISH Network were dissolved. We and DISH Network were jointly responsible for making payments to TiVo in the aggregate amount of \$500.0 million, including an initial payment of \$300.0 million and the remaining \$200.0 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, DISH Network made the initial payment to TiVo in May 2011, except for the contribution from us totaling approximately \$10.0 million, representing an allocation of liability relating to our sales of DVR-enabled receivers to an international customer. Subsequent payments were allocated between us and DISH Network based on historical sales of certain licensed products, with EchoStar being responsible for 5% of each annual payment.

Sling Trademark License Agreement. In December 2014, Sling TV Holding entered into an agreement with Sling Media, Inc., our former subsidiary, pursuant to which Sling TV Holding had the right, for a fixed fee, to use certain trademarks, domain names and other intellectual property related to the “Sling” trademark.

NagraStar L.L.C. Prior to March 2017, we owned 50.0% of NagraStar L.L.C. (“NagraStar”), a joint venture that was the primary provider of encryption and related security technology used in the set-top boxes produced by our former EchoStar Technologies segment. We accounted for our investment in NagraStar using the equity method.

SmarDTV. Prior to March 2017, we owned a 22.5% interest in SmarDTV, which we accounted for using the equity method. Pursuant to our agreements with SmarDTV and its subsidiaries, our former EchoStar Technologies segment purchased engineering services from and paid royalties to SmarDTV and its subsidiaries.

ECHOSTAR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

ECHOSTAR CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS

Our valuation and qualifying accounts as of December 31, 2017, 2016 and 2015 were as follows:

Allowance for doubtful accounts	Balance at Beginning of Year	Charged to Costs and Expenses	Deductions	Balance at End of Year
			(In thousands)	
For the years ended:				
December 31, 2017	\$ 12,955	\$ 9,551	\$ (10,479)	\$ 12,027
December 31, 2016	\$ 11,687	\$ 14,393	\$ (13,125)	\$ 12,955
December 31, 2015	\$ 12,294	\$ 6,731	\$ (7,338)	\$ 11,687

JOINDER AGREEMENT

August 10, 2017
Wells Fargo Bank, National Association
625 Marquette Ave. 11th Floor
MAC N9311-110
Minneapolis, Minnesota 55479

Ladies and Gentlemen:

Reference is made to the Security Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Security Agreement"; capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Security Agreement), dated as of June 8, 2011, made by Hughes Satellite Systems Corporation (formerly known as EH Holding Corporation), a Colorado corporation (the "Issuer"), the other pledgors party thereto, and Wells Fargo Bank, National Association, as collateral agent (in such capacity and together with any successors in such capacity, the "Collateral Agent").

This Joinder Agreement supplements the Security Agreement and is delivered by the undersigned, HNS Americas, L.L.C. and HNS Americas II, L.L.C., each a Delaware limited liability company (together, the "New Pledgors"), pursuant to Section 3.6 of the Security Agreement. Each New Pledgor hereby agrees severally and not jointly to be bound as a Pledgor party to the Security Agreement by all of the terms, covenants and conditions set forth in the Security Agreement to the same extent that it would have been bound if it had been a signatory to the Security Agreement on the date of the Security Agreement. Each New Pledgor also hereby severally and not jointly agrees to be bound as a party by all of the terms, covenants and conditions applicable to it set forth in the Security Agreement to the same extent that it would have been bound if it had been a signatory to the Security Agreement on the execution date of the Security Agreement. Without limiting the generality of the foregoing, each New Pledgor hereby grants and pledges to the Collateral Agent, as collateral security for the full, prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, a Lien on and security interest in, all of such New Pledgor's right, title and interest in, to and under the Collateral and expressly assumes all obligations and liabilities of a Pledgor thereunder. Each New Pledgor hereby, severally and not jointly, makes each of the representations and warranties and agrees to each of the covenants applicable to the Pledgors contained in the Security Agreement.

This Joinder Agreement and any amendments, waivers, consents or supplements hereto may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original, but all such counterparts together shall constitute one and the same agreement.

THIS JOINDER AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

[Signature Page Follows]

IN WITNESS WHEREOF, each New Pledgor has caused this Joinder Agreement to be executed and delivered by its duly authorized officer as of the date first above written.

HNS AMERICAS, L.L.C.

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, Secretary and
Treasurer

HNS AMERICAS II, L.L.C.

AGREED TO AND ACCEPTED:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, Secretary and
Treasurer

By: /s/ Alexander Pabon
Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Joinder Agreement]

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE (this "Second Supplemental Indenture"), entered into as of August 10, 2017, by and among Hughes Satellite Systems Corporation (formerly known as EH Holding Corporation), a Colorado corporation (the "Company"), the guarantors listed on the signature pages to the Secured Indenture (the "Guarantors"), HNS Americas, L.L.C. and HNS Americas II, L.L.C., each a Delaware limited liability company (collectively, the "Supplemental Guarantors"), U.S. Bank National Association, as trustee (the "Trustee") and Wells Fargo Bank, National Association, as collateral agent (the "Collateral Agent"). Capitalized terms used herein and not otherwise defined herein are used as defined in the Secured Indenture referred to below.

RECITALS

WHEREAS, the Company, the guarantors listed on the signature pages thereto and the Trustee and Collateral Agent entered into that certain Secured Indenture, dated as of July 27, 2016, relating to the 5¼% Senior Secured Notes due 2026 of the Company in original principal amount of \$750,000,000 (the "Secured Notes"), as supplemented by the Supplemental Indenture, dated March 23, 2017, by and among the Company, the Guarantors, the Trustee and the Collateral Agent (as so supplemented, the "Secured Indenture");

WHEREAS, the Company has formed two new Wholly Owned Subsidiaries, the Supplemental Guarantors;

WHEREAS, each of the Supplemental Guarantors is a Restricted Subsidiary of the Company; and

WHEREAS, pursuant to Section 4.13 of the Secured Indenture, each Supplemental Guarantor is becoming a Guarantor under the Secured Indenture; and

AGREEMENT

NOW, THEREFORE, the parties to this Second Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Secured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 11.02.

Section 2. This Second Supplemental Indenture is an amendment supplemental to the Secured Indenture, and the Secured Indenture and this Second Supplemental Indenture will henceforth be read together.

Section 3. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Second Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

The exchange of copies of this Second Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Second Supplemental Indenture as to the parties hereto and may be used in lieu of the original Second Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signature pages follow]

HUGHES SATELLITE SYSTEMS CORPORATION

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

EHOSTAR 77 CORPORATION
EHOSTAR SATELLITE SERVICES L.L.C.
EHOSTAR ORBITAL L.L.C.
EHOSTAR GOVERNMENT SERVICES L.L.C.
EHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES COMMUNICATIONS, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS FINANCE CORP.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS
INTERNATIONAL SERVICE COMPANY,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS REAL ESTATE, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-INDIA VSAT, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-SHANGHAI, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS LICENSE SUB, LLC,
as a Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Second Supplemental Indenture – 2016 Secured Indenture]

ECHOSAR XI HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XIV HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Second Supplemental Indenture – 2016 Secured Indenture]

CHEYENNE DATA CENTER L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS II, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ Richard Prokosch

Name: Richard Prokosch

Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: /s/ Alexander Pabon

Name: Alexander Pabon

Title: Assistant Vice President

[Signature Page to Second Supplemental Indenture – 2016 Secured Indenture]

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE (this “Second Supplemental Indenture”), entered into as of August 10, 2017, by and among Hughes Satellite Systems Corporation (formerly known as EH Holding Corporation), a Colorado corporation (the “Company”), the guarantors listed on the signature pages to the Unsecured Indenture (the “Guarantors”), HNS Americas, L.L.C. and HNS Americas II, L.L.C., each a Delaware limited liability company (collectively, the “Supplemental Guarantors”), and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined herein are used as defined in the Unsecured Indenture referred to below.

RECITALS

WHEREAS, the Company, the guarantors listed on the signature pages thereto and the Trustee entered into that certain Unsecured Indenture, dated as of July 27, 2016, relating to the 6⁵/₈% Senior Unsecured Notes due 2026 of the Company in original principal amount of \$750,000,000 (the “Unsecured Notes”), as supplemented by the Supplemental Indenture, dated as of March 23, 2017, by and among the Company, the Guarantors and the Trustee (as so supplemented, the “Unsecured Indenture”);

WHEREAS, the Company has formed two new Wholly Owned Subsidiaries, the Supplemental Guarantors;

WHEREAS, each Supplemental Guarantor is a Restricted Subsidiary of the Company; and

WHEREAS, pursuant to Section 4.13 of the Unsecured Indenture, each Supplemental Guarantor is becoming a Guarantor under the Unsecured Indenture; and

AGREEMENT

NOW, THEREFORE, the parties to this Second Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Unsecured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 10.02.

Section 2. This Second Supplemental Indenture is an amendment supplemental to the Unsecured Indenture, and the Unsecured Indenture and this Second Supplemental Indenture will henceforth be read together.

Section 3. This Second Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Second Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

The exchange of copies of this Second Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Second Supplemental Indenture as to the parties hereto and may be used in lieu of the original Second Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signature pages follow]

HUGHES SATELLITE SYSTEMS CORPORATION

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

EHOSTAR 77 CORPORATION
EHOSTAR SATELLITE SERVICES L.L.C.
EHOSTAR ORBITAL L.L.C.
EHOSTAR GOVERNMENT SERVICES L.L.C.
EHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES COMMUNICATIONS, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS FINANCE CORP.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS
INTERNATIONAL SERVICE COMPANY,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS REAL ESTATE, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-INDIA VSAT, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-SHANGHAI, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS LICENSE SUB, LLC,
as a Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XI HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XIV HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2016 Unsecured Indenture]

CHEYENNE DATA CENTER L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS II, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: /s/ Richard Prokosch

Name: Richard Prokosch

Title: Vice President

[Signature Page to Supplemental Indenture – 2016 Unsecured Indenture]

FOURTH SUPPLEMENTAL INDENTURE

THIS FOURTH SUPPLEMENTAL INDENTURE (this "Fourth Supplemental Indenture"), entered into as of August 10, 2017, by and among Hughes Satellite Systems Corporation (formerly known as EH Holding Corporation), a Colorado corporation (the "Company"), the guarantors listed on the signature pages to the Secured Indenture (the "Guarantors"), HNS Americas, L.L.C. and HNS Americas II, L.L.C., each a Delaware limited liability company (collectively, the "Supplemental Guarantors"), and Wells Fargo Bank, National Association, as trustee (the "Trustee") and collateral agent (the "Collateral Agent"). Capitalized terms used herein and not otherwise defined herein are used as defined in the Secured Indenture referred to below.

RECITALS

WHEREAS, the Company, the guarantors listed on the signature pages thereto and the Trustee and Collateral Agent entered into that certain Secured Indenture, dated as of June 1, 2011, relating to the 6½% Senior Secured Notes due 2019 of the Company in original principal amount of \$1,100,000,000 (the "Secured Notes"), as supplemented by the Supplemental Indenture, dated as of June 8, 2011, the Second Supplemental Indenture, dated as of March 28, 2014, and the Third Supplemental Indenture, dated March 23, 2017, each by and among the Company, the guarantors listed on the signature pages thereto and the Trustee and Collateral Agent (as so supplemented, the "Secured Indenture");

WHEREAS, the Company has formed two new Wholly Owned Subsidiaries, the Supplemental Guarantors;

WHEREAS, each Supplemental Guarantor is a Restricted Subsidiary of the Company;

WHEREAS, pursuant to Section 4.13 of the Secured Indenture, each Supplemental Guarantor is becoming a Guarantor under the Secured Indenture; and

WHEREAS, this Fourth Supplemental Indenture has not resulted in a material modification of the Notes for Foreign Account Tax Compliance Act (FATCA) purposes.

AGREEMENT

NOW, THEREFORE, the parties to this Fourth Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Secured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 11.02.

Section 2. This Fourth Supplemental Indenture is an amendment supplemental to the Secured Indenture, and the Secured Indenture and this Fourth Supplemental Indenture will henceforth be read together.

Section 3. This Fourth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Fourth Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

The exchange of copies of this Fourth Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Fourth Supplemental Indenture as to the parties hereto and may be used in lieu of the original Fourth Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

[Signature pages follow]

HUGHES SATELLITE SYSTEMS CORPORATION

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

EHOSTAR 77 CORPORATION
EHOSTAR SATELLITE SERVICES L.L.C.
EHOSTAR ORBITAL L.L.C.
EHOSTAR GOVERNMENT SERVICES L.L.C.
EHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES COMMUNICATIONS, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS FINANCE CORP.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2011 Secured Indenture]

HUGHES NETWORK SYSTEMS
INTERNATIONAL SERVICE COMPANY,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS REAL ESTATE, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-INDIA VSAT, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-SHANGHAI, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS LICENSE SUB, LLC,
as a Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2011 Secured Indenture]

ECHOSAR XI HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XIV HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2011 Secured Indenture]

CHEYENNE DATA CENTER L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS II, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2011 Secured Indenture]

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee and Collateral Agent

By: /s/ Alexander Pabon
Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Supplemental Indenture – 2011 Secured Indenture]

FOURTH SUPPLEMENTAL INDENTURE

THIS FOURTH SUPPLEMENTAL INDENTURE (this "Fourth Supplemental Indenture"), entered into as of August 10, 2017, by and among Hughes Satellite Systems Corporation (formerly known as EH Holding Corporation), a Colorado corporation (the "Company"), the guarantors listed on the signature pages to the Unsecured Indenture (the "Guarantors"), HNS Americas, L.L.C. and HNS Americas II, L.L.C., each a Delaware limited liability company (collectively, the "Supplemental Guarantors"), and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined herein are used as defined in the Unsecured Indenture referred to below.

RECITALS

WHEREAS, the Company, the guarantors listed on the signature pages thereto and the Trustee entered into that certain Unsecured Indenture, dated as of June 1, 2011, relating to the 7% Senior Unsecured Notes due 2021 of the Company in original principal amount of \$900,000,000 (the "Unsecured Notes"), as supplemented by the Supplemental Indenture, dated as of June 8, 2011, the Second Supplemental Indenture, dated as of March 28, 2014 and the Third Supplemental Indenture, dated March 23, 2017, each by and among the Company, the guarantors listed on the signature pages thereto and the Trustee (as so supplemented, the "Unsecured Indenture");

WHEREAS, the Company has formed two new Wholly Owned Subsidiaries, the Supplemental Guarantors;

WHEREAS, each Supplemental Guarantors is a Restricted Subsidiary of the Company;

WHEREAS, pursuant to Section 4.13 of the Unsecured Indenture, each Supplemental Guarantor is becoming a Guarantor under the Unsecured Indenture; and

WHEREAS, this Fourth Supplemental Indenture has not resulted in a material modification of the Notes for Foreign Account Tax Compliance Act (FATCA) purposes.

AGREEMENT

NOW, THEREFORE, the parties to this Fourth Supplemental Indenture hereby agree as follows:

Section 1. Each Supplemental Guarantor shall be a Guarantor under the Unsecured Indenture and be bound by the terms thereof applicable to Guarantors and each shall deliver an executed Guarantee pursuant to Section 10.02.

Section 2. This Fourth Supplemental Indenture is an amendment supplemental to the Unsecured Indenture, and the Unsecured Indenture and this Fourth Supplemental Indenture will henceforth be read together.

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[Signature pages follow]

HUGHES SATELLITE SYSTEMS CORPORATION

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

EHOSTAR 77 CORPORATION
EHOSTAR SATELLITE SERVICES L.L.C.
EHOSTAR ORBITAL L.L.C.
EHOSTAR GOVERNMENT SERVICES L.L.C.
EHOSTAR SATELLITE OPERATING CORPORATION,
as Guarantors

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HUGHES COMMUNICATIONS, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel &
Secretary

HUGHES NETWORK SYSTEMS, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS FINANCE CORP.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HUGHES NETWORK SYSTEMS
INTERNATIONAL SERVICE COMPANY,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS REAL ESTATE, LLC,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-INDIA VSAT, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS-SHANGHAI, INC.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Vice President, General Counsel & Secretary

HNS LICENSE SUB, LLC,
as a Guarantor

By: Hughes Network Systems, LLC, its Sole Member

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XI HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

ECHOSAR XIV HOLDING L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

[Signature Page to Supplemental Indenture – 2011 Unsecured Indenture]

CHEYENNE DATA CENTER L.L.C.,
as a Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

HNS AMERICAS II, L.L.C.,
as a Supplemental Guarantor

By: /s/ Dean A. Manson
Name: Dean A. Manson
Title: Executive Vice President, General Counsel & Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: /s/ Alexander Pabon
Name: Alexander Pabon
Title: Assistant Vice President

[Signature Page to Supplemental Indenture – 2011 Unsecured Indenture]

EHOSTAR CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES

As of December 31, 2017

Legal Entity	State or Country of Incorporation
Hughes Satellite Systems Corporation	Colorado
Hughes Communications, Inc.	Delaware
Hughes Network Systems, LLC	Delaware
HNS Participacoes e Empreendimentos Ltda	Brazil
HNS Americas Comunicacoes, Ltda	Brazil
Hughes Telecomunicacoes do Brasil, Ltda	Brazil
EchoStar Satellite Services L.L.C	Colorado
EchoStar Orbital LLC	Colorado
EchoStar Satellite Operating Corporation	Colorado
EchoStar XI Holding L.L.C.	Colorado
EchoStar XIV Holding, L.L.C.	Colorado
EchoStar Corporation	Nevada
Sawatch Limited	United Kingdom
EchoStar Mobile Limited	Ireland
EchoStar Mexico Holdings Corporation	Colorado

Consent of Independent Registered Public Accounting Firm

The Board of Directors
EchoStar Corporation:

We consent to the incorporation by reference in the registration statements of EchoStar Corporation of our report dated February 22, 2018, with respect to the consolidated balance sheets of EchoStar Corporation and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), and changes in stockholders' equity, and cash flows, for each of the years in the three-year period ended December 31, 2017, the financial statement schedule II and the effectiveness of internal control over financial reporting as of December 31, 2017, which report appears in the December 31, 2017 annual report on Form 10-K of EchoStar Corporation. Our audit report refers to the adoption of Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

<u>Form</u>	<u>Registration Statement No.</u>	<u>Description</u>
S-8	333-218658	Additional shares for Amended and Restated EchoStar Corporation 2017 Employee Stock Purchase Plan
S-8	333-218657	EchoStar Corporation 2017 Stock Incentive Plan EchoStar Corporation 2017 Non-Employee Director Stock Incentive Plan
S-8	333-162339	Additional shares for EchoStar Corporation 2008 Employee Stock Purchase Plan
S-8	333-148416	EchoStar Corporation (f/k/a EchoStar Holding Corporation) 2008 Stock Incentive Plan EchoStar Corporation (f/k/a EchoStar Holding Corporation) 2008 Employee Stock Purchase Plan EchoStar Corporation (f/k/a EchoStar Holding Corporation) 2008 Nonemployee Director Stock Option Plan EchoStar Corporation (f/k/a EchoStar Holding Corporation) 2008 Class B CEO Stock Option Plan

/s/ KPMG LLP

Denver, Colorado
February 22, 2018

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dean A. Manson, individually, as the true and lawful attorney-in-fact and agent of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign the Annual Report on Form 10-K of EchoStar Corporation, a Nevada corporation formed in October 2007, for the year ended December 31, 2017, and any and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the United States Securities and Exchange Commission, and hereby grants to each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully as to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Power of Attorney has been signed by the following persons in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Charles W. Ergen</u> Charles W. Ergen	Director	February 13, 2018
<u>/s/ R. Stanton Dodge</u> R. Stanton Dodge	Director	February 13, 2018
<u>/s/ Anthony M. Federico</u> Anthony M. Federico	Director	February 13, 2018
<u>/s/ Pradman P. Kaul</u> Pradman P. Kaul	Director	February 15, 2018
<u>/s/ Tom A. Ortolf</u> Tom A. Ortolf	Director	February 14, 2018
<u>/s/ C. Michael Schroeder</u> C. Michael Schroeder	Director	February 13, 2018
<u>/s/ William David Wade</u> William David Wade	Director	February 13, 2018

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Michael T. Dugan, certify that:

1. I have reviewed this Annual Report on Form 10-K of EchoStar 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: February 22, 2018

/s/ Michael T. Dugan

Chief Executive Officer, President and Director

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, David J. Rayner, certify that:

1. I have reviewed this Annual Report on Form 10-K of EchoStar 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: February 22, 2018

/s/ David J. Rayner

Executive Vice President, Chief Financial Officer,
Chief Operating Officer and Treasurer
(Principal Financial and Accounting Officer)

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

In connection with the annual report for the year ended December 31, 2017 on Form 10-K (the “Annual Report”), of EchoStar Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof, we, Michael T. Dugan and David J. Rayner, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (i) the Annual Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) the information contained in this Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2018

/s/ Michael T. Dugan

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

/s/ David J. Rayner

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

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

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

EchoStar Announces Fourth Quarter and Full Year 2017 Results

Englewood, CO, February 22, 2018—EchoStar Corporation (NASDAQ: SATS) today announced its financial results for the fourth quarter and full year ended December 31, 2017.

Fourth Quarter 2017 Financial Highlights:

- Consolidated revenues of \$506 million.
- Consolidated net income from continuing operations of \$311.8 million, consolidated net income attributable to EchoStar common stock of \$313.2 million and diluted earnings per share of \$3.23.
- Consolidated EBITDA of \$207 million (see reconciliation of this non-GAAP measure below).

Full Year Ended December 31, 2017 Financial Highlights:

- Consolidated revenue of \$1.89 billion.
- Consolidated net income from continuing operations of \$385.0 million, consolidated net income attributable to EchoStar common stock of \$393.8 million and diluted earnings per share of \$4.07.
- Consolidated EBITDA of \$795 million (see reconciliation of this non-GAAP measure below).

Additional Highlights:

- Approximately 1,208,000 Hughes broadband subscribers as of December 31, 2017.
- Cash, cash equivalents and current marketable investment securities of \$3.25 billion as of December 31, 2017

The Tax Cuts and Jobs Act enacted in December 2017 includes a reduction of the federal corporate tax rate to 21%. As a result, we provisionally recorded a one-time tax benefit of \$303.5 million from the re-measurement of our deferred tax assets and liabilities. The net income and earnings per share noted above include the impact of this benefit.

Starting with the quarter that ended March 31, 2017, we changed the way we present our segments. Previously, our business segments reflected an allocation of the costs of our corporate functions. Under our new presentation, these costs are no longer allocated to the operating segments and are now reported as part of the Corporate and Other segment (previously “All Other and Eliminations”).

In addition, results of our EchoStar Technology segment, which was transferred to DISH Network Corporation in the Share Exchange transaction, are included in Discontinued Operations.

Set forth below is a table highlighting certain of EchoStar's segment results for the three and twelve months ended December 31, 2017 and 2016:

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2017	2016	2017	2016
(Dollars in thousands)				
Revenue				
Hughes	\$ 405,775	\$ 370,910	\$ 1,477,918	\$ 1,392,361
EchoStar Satellite Services	96,459	101,741	392,244	407,660
Corporate & Other	3,814	3,137	15,346	10,445
Total	<u>\$ 506,048</u>	<u>\$ 475,788</u>	<u>\$ 1,885,508</u>	<u>\$ 1,810,466</u>
EBITDA				
Hughes	\$ 132,529	\$ 123,660	\$ 475,222	\$ 477,165
EchoStar Satellite Services	73,412	84,335	315,285	341,516
Corporate & Other	598	(22,170)	4,070	(67,676)
Total	<u>\$ 206,539</u>	<u>\$ 185,825</u>	<u>\$ 794,577</u>	<u>\$ 751,005</u>
Net income (loss) attributable to EchoStar common stock	<u>\$ 313,237</u>	<u>\$ 38,222</u>	<u>\$ 393,770</u>	<u>\$ 181,673</u>
Diluted earnings per share (in dollars)	<u>\$ 3.23</u>	<u>\$ 0.40</u>	<u>\$ 4.07</u>	<u>\$ 1.92</u>
Net income from continuing operations	<u>\$ 311,759</u>	<u>\$ 23,823</u>	<u>\$ 384,980</u>	<u>\$ 136,372</u>
Capital expenditures from continuing operations	<u>\$ 156,239</u>	<u>\$ 150,692</u>	<u>\$ 566,384</u>	<u>\$ 628,510</u>

The following table reconciles total consolidated Net income to EBITDA.

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2017	2016	2017	2016
(In thousands)				
Net income	\$ 313,814	\$ 38,930	\$ 393,489	\$ 180,692
Interest income and expense, net	46,465	35,587	172,621	102,237
Income tax (benefit) provision, net	(293,359)	18,996	(284,286)	80,254
Depreciation and amortization	142,251	108,161	522,190	432,904
Net income from discontinued operations	(2,055)	(15,107)	(8,509)	(44,320)
Net income attributable to noncontrolling interests	(577)	(742)	(928)	(762)
EBITDA	<u>\$ 206,539</u>	<u>\$ 185,825</u>	<u>\$ 794,577</u>	<u>\$ 751,005</u>

Note on Use of Non-GAAP Financial Measures

EBITDA is defined as “Net income” excluding “Interest expense, net of amounts capitalized,” “Interest income,” “Income tax benefit (provision), net” and “Depreciation and amortization.” EBITDA is not a measure determined in accordance with US GAAP. This non-GAAP measure is reconciled to “Net income” in the table above. EBITDA should not be considered in isolation or as a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used by our management as a measure of operating efficiency and overall financial performance for benchmarking against our peers and competitors. Management believes EBITDA provides meaningful supplemental information regarding the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties to evaluate the performance of companies in our industry.

The consolidated financial statements of EchoStar for the periods ended December 31, 2017 and 2016 are attached to this press release. Detailed financial data and other information are available in EchoStar’s Annual Report on Form 10-K for the period ended December 31, 2017 filed today with the Securities and Exchange Commission.

EchoStar will host its earnings conference call on Thursday, February 22, 2018 at 11:00 a.m. Eastern Time. The call-in numbers are (877) 815-1625 (toll-free) and (716) 247-5178 (international), Conference ID # 2186058.

About EchoStar Corporation

EchoStar Corporation (NASDAQ: SATS) is a premier global provider of satellite communications solutions. Headquartered in Englewood, Colo., and conducting business around the globe, EchoStar is a pioneer in secure communications technologies through its Hughes Network Systems and EchoStar Satellite Services business segments.

Safe Harbor Statement under the US Private Securities Litigation Reform Act of 1995

This press release may contain statements that are forward looking, as that term is defined by the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management’s beliefs, as well as assumptions made by, and information currently available to, management. When used in this release, the words “believe,” “anticipate,” “estimate,” “expect,” “intend,” “project,” “plans,” and similar expressions and the use of future dates are intended to identify forward-looking statements. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. We assume no responsibility for the accuracy of forward-looking statements or information or for updating forward-looking information or statements. These statements are subject to certain risks, uncertainties, and assumptions. See “Risk Factors” in EchoStar’s Annual Report on Form 10-K for the period ended December 31, 2017, filed today with the Securities and Exchange Commission and in the other documents EchoStar files with the Securities and Exchange Commission from time to time.

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Contact Information

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ECHOSTAR CORPORATION
Consolidated Balance Sheets

		As of December 31,	
		2017	2016
Assets			
Current Assets:			
Cash and cash equivalents	\$	2,431,456	\$ 2,570,365
Marketable investment securities, at fair value		814,161	522,516
Trade accounts receivable, net of allowance for doubtful accounts of \$12,027 and \$12,956, respectively		196,840	182,527
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero		43,295	19,417
Inventory		83,595	62,620
Prepays and deposits		54,533	43,456
Other current assets		91,574	10,862
Current assets of discontinued operations		97	311,524
Total current assets		3,715,551	3,723,287
Noncurrent Assets:			
Property and equipment, net of accumulated depreciation of \$2,661,129 and \$2,598,492, respectively		3,465,471	3,398,195
Regulatory authorizations, net		536,936	544,633
Goodwill		504,173	504,173
Other intangible assets, net		58,955	80,734
Investments in unconsolidated entities		161,427	171,016
Other receivable - DISH Network		92,687	90,586
Other noncurrent assets, net		214,814	179,311
Noncurrent assets of discontinued operations		—	316,924
Total noncurrent assets		5,034,463	5,285,572
Total assets	\$	8,750,014	\$ 9,008,859
Liabilities and Stockholders' Equity			
Current Liabilities:			
Trade accounts payable	\$	108,406	\$ 170,297
Trade accounts payable - DISH Network		4,753	1,072
Current portion of long-term debt and capital lease obligations		40,631	32,984
Deferred revenue and prepayments		65,959	59,989
Accrued interest		47,616	46,487
Accrued compensation		47,756	53,454
Accrued expenses and other		98,227	95,726
Current liabilities of discontinued operations		542	71,429
Total current liabilities		413,890	531,438
Noncurrent Liabilities:			
Long-term debt and capital lease obligations, net of unamortized debt issuance costs		3,594,213	3,622,463
Deferred tax liabilities, net		436,023	746,667
Other noncurrent liabilities		128,503	90,785
Noncurrent liabilities of discontinued operations		—	10,701
Total noncurrent liabilities		4,158,739	4,470,616
Total liabilities		4,572,629	5,002,054
Commitments and Contingencies (Note 16)			
Stockholders' Equity:			
Preferred stock, \$.001 par value, 20,000,000 shares authorized:			
Hughes Retail Preferred Tracking Stock, \$.001 par value, zero authorized, issued and outstanding at December 31, 2017 and 13,000,000 shares authorized and 6,290,499 issued and outstanding at December 31, 2016		—	6
Common stock, \$.001 par value, 4,000,000,000 shares authorized:			
Class A common stock, \$.001 par value, 1,600,000,000 shares authorized, 53,663,859 shares issued and 48,131,541 shares outstanding at December 31, 2017 and 52,243,465 shares issued and 46,711,147 shares outstanding at December 31, 2016		54	52
Class B convertible common stock, \$.001 par value, 800,000,000 shares authorized, 47,687,039 shares issued and outstanding at each of December 31, 2017 and 2016		48	48
Class C convertible common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of December 31, 2017 and 2016		—	—
Class D common stock, \$.001 par value, 800,000,000 shares authorized, none issued and outstanding at each of December 31, 2017 and 2016		—	—
Additional paid-in capital		3,669,461	3,828,677
Accumulated other comprehensive loss		(130,154)	(124,803)
Accumulated earnings		721,316	314,247
Treasury stock, at cost		(98,162)	(98,162)
Total EchoStar stockholders' equity		4,162,563	3,920,065
Noncontrolling interest in HSS Tracking Stock		—	73,910

Other noncontrolling interests

14,822

12,830

Total stockholders' equity

4,177,385

4,006,805

Total liabilities and stockholders' equity

\$ 8,750,014

\$ 9,008,859

ECHOSTAR CORPORATION
Consolidated Statements of Operations
(In thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Revenue:			
Services and other revenue - other	\$ 1,200,321	\$ 1,100,828	\$ 1,093,674
Services and other revenue - DISH Network	445,698	463,442	532,162
Equipment revenue - other	239,199	237,356	212,269
Equipment revenue - DISH Network	290	8,840	10,752
Total revenue	<u>1,885,508</u>	<u>1,810,466</u>	<u>1,848,857</u>
Costs and Expenses:			
Cost of sales - services and other (exclusive of depreciation and amortization)	546,327	521,220	574,400
Cost of sales - equipment (exclusive of depreciation and amortization)	212,170	203,965	195,360
Selling, general and administrative expenses	366,007	325,044	318,136
Research and development expenses	31,745	31,170	26,377
Depreciation and amortization	522,190	432,904	460,819
Impairment of long-lived assets	10,762	—	—
Total costs and expenses	<u>1,689,201</u>	<u>1,514,303</u>	<u>1,575,092</u>
Operating income	<u>196,307</u>	<u>296,163</u>	<u>273,765</u>
Other Income (Expense):			
Interest income	44,619	21,244	10,388
Interest expense, net of amounts capitalized	(217,240)	(123,481)	(121,995)
Gains (losses) on investments, net	56,751	9,767	(6,443)
Other-than-temporary impairment loss on available-for-sale securities	(3,298)	—	(11,226)
Equity in earnings (losses) of unconsolidated affiliates, net	16,973	10,802	(2,477)
Other, net	6,582	2,131	(2,685)
Total other expense, net	<u>(95,613)</u>	<u>(79,537)</u>	<u>(134,438)</u>
Income from continuing operations before income taxes	100,694	216,626	139,327
Income tax benefit (provision), net	284,286	(80,254)	(51,235)
Net income from continuing operations	<u>384,980</u>	<u>136,372</u>	<u>88,092</u>
Net income from discontinued operations	<u>8,509</u>	<u>44,320</u>	<u>61,279</u>
Net income	<u>393,489</u>	<u>180,692</u>	<u>149,371</u>
Less: Net loss attributable to noncontrolling interest in HSS Tracking Stock	(655)	(944)	(5,603)
Less: Net income attributable to other noncontrolling interests	1,583	1,706	1,617
Net income attributable to EchoStar	<u>392,561</u>	<u>179,930</u>	<u>153,357</u>
Less: Net loss attributable to Hughes Retail Preferred Tracking Stock	(1,209)	(1,743)	(10,343)
Net income attributable to EchoStar common stock	<u>\$ 393,770</u>	<u>\$ 181,673</u>	<u>\$ 163,700</u>
Amounts attributable to EchoStar common stock:			
Net income from continuing operations	\$ 385,261	\$ 137,353	\$ 102,421
Net income from discontinued operations	8,509	44,320	61,279
Net income attributable to EchoStar common stock	<u>\$ 393,770</u>	<u>\$ 181,673</u>	<u>\$ 163,700</u>
Weighted-average common shares outstanding - Class A and B common stock:			
Basic	<u>95,425</u>	<u>93,795</u>	<u>92,397</u>
Diluted	<u>96,741</u>	<u>94,410</u>	<u>93,466</u>
Earnings per share - Class A and B common stock:			
Basic:			
Continuing operations	\$ 4.04	\$ 1.46	\$ 1.11
Discontinued operations	0.09	0.48	0.66
Total basic earnings per share	<u>\$ 4.13</u>	<u>\$ 1.94</u>	<u>\$ 1.77</u>
Diluted:			
Continuing operations	\$ 3.98	\$ 1.45	\$ 1.10
Discontinued operations	0.09	0.47	0.65
Total diluted earnings per share	<u>\$ 4.07</u>	<u>\$ 1.92</u>	<u>\$ 1.75</u>

ECHOSTAR CORPORATION
Consolidated Statements of Cash Flows
(In thousands)

	For the Years Ended December 31,		
	2017	2016	2015
Cash Flows from Operating Activities:			
Net income	\$ 393,489	\$ 180,692	\$ 149,371
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	533,849	495,068	528,158
Impairment of long-lived assets	10,762	—	2,400
Equity in earnings of unconsolidated affiliates, net	(15,814)	(13,310)	(1,895)
Losses (gains) and impairment on marketable investment securities, net	(53,453)	(9,767)	17,669
Loss from partial redemption of debt	—	—	5,044
Stock-based compensation	10,103	15,234	21,839
Deferred tax provision (benefit)	(288,577)	98,148	56,132
Dividends received from unconsolidated entities	19,000	15,000	5,000
Proceeds from sale of trading securities	8,922	7,140	380
Changes in current assets and current liabilities, net:			
Trade accounts receivable, net	421	(26,942)	(38,452)
Trade accounts receivable - DISH Network	235,227	(1,456)	(25,490)
Inventory	(19,291)	(4,814)	(4,906)
Other current assets	(15,352)	2,263	6,499
Trade accounts payable	(78,419)	(24,571)	37,228
Trade accounts payable - DISH Network	731	(19,650)	(7,792)
Accrued expenses and other	11,993	55,998	1,477
Changes in noncurrent assets and noncurrent liabilities, net	(36,975)	9,459	1,616
Other, net	10,276	24,851	22,173
Net cash flows from operating activities	<u>726,892</u>	<u>803,343</u>	<u>776,451</u>
Cash Flows from Investing Activities:			
Purchases of marketable investment securities	(855,717)	(921,247)	(536,430)
Sales and maturities of marketable investment securities	578,051	1,001,166	1,057,034
Expenditures for property and equipment	(583,211)	(722,341)	(809,270)
Refunds and other receipts related to capital expenditures	4,311	24,087	105,750
Sale of investment in unconsolidated entity	17,781	—	—
Investments in unconsolidated entities	—	(1,636)	(64,655)
Expenditures for externally marketed software	(31,331)	(23,252)	(22,327)
Other, net	2,114	10,956	(5,413)
Net cash flows from investing activities	<u>(868,002)</u>	<u>(632,267)</u>	<u>(275,311)</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	—	1,500,000	—
Payments of debt issuance costs	(414)	(7,097)	—
Repayment of 6 1/2% Senior Secured Notes Due 2019 and related premium	—	—	(113,300)
Repayment of debt and capital lease obligations	(37,670)	(40,364)	(44,804)
Net proceeds from Class A common stock options exercised	35,536	13,065	24,841
Net proceeds from Class A common stock issued under the Employee Stock Purchase Plan	8,758	14,367	13,888
Cash exchanged for Tracking Stock	(651)	—	—
Other, net	(5,487)	(4,282)	(882)
Net cash flows from financing activities	<u>72</u>	<u>1,475,689</u>	<u>(120,257)</u>
Effect of exchange rates on cash and cash equivalents	1,351	138	(5,696)
Net increase (decrease) in cash and cash equivalents	(139,687)	1,646,903	375,187
Cash and cash equivalents, beginning of period	2,571,143	924,240	549,053
Cash and cash equivalents, end of period	<u>\$ 2,431,456</u>	<u>\$ 2,571,143</u>	<u>\$ 924,240</u>
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest (including capitalized interest)	<u>\$ 259,632</u>	<u>\$ 172,707</u>	<u>\$ 179,114</u>
Capitalized interest	<u>\$ 52,015</u>	<u>\$ 94,395</u>	<u>\$ 63,808</u>
Cash paid for income taxes	<u>\$ 11,033</u>	<u>\$ 11,700</u>	<u>\$ 6,394</u>
Employee benefits paid in Class A common stock	<u>\$ 11,200</u>	<u>\$ 11,126</u>	<u>\$ 10,711</u>
Property and equipment financed under capital lease obligations	<u>\$ 8,484</u>	<u>\$ 7,652</u>	<u>\$ 8,604</u>

Increase (decrease) in capital expenditures included in accounts payable, net	\$ (3,831)	\$ 3,054	\$ (7,123)
Transfer of EchoStar 105/SES-11 payloads to SES in exchange for receivable	\$ 77,524	\$ —	\$ —
Capitalized in-orbit incentive obligations	\$ 43,890	\$ —	\$ —
Noncash net assets exchanged for Tracking Stock	\$ 299,888	\$ —	\$ —