UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OR

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

FOR THE TRANSITION PERIOD FROM TO .

Commission file number: 333-179121

Hughes Satellite Systems Corporation

(Exact name of registrant as specified in its charter)

Colorado	**45-0897865**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Inverness Terrace East **Englewood, Colorado**	**80112-5308**
(Address of principal executive offices)	(Zip Code)

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

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

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 o No x

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 o No x

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

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

Indicate by check mark 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. x

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

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

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

The aggregate market value of the Registrant's voting interests held by non-affiliates on June 29, 2012 was $0.

As of February 11, 2013, the Registrant's outstanding common stock consisted of 1,000 shares of common stock, $0.01 par value per share.

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

DOCUMENTS INCORPORATED BY REFERENCE

None

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*** This item has been omitted pursuant to the reduced disclosure format as set forth in General Instructions (I) (2) (a) and (c) of Form 10-K.**

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DISCLOSURE REGARDING FORWARD LOOKING STATEMENTS

We make "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 throughout this report. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we "believe," "intend," "plan," "estimate," "expect" or "anticipate" will occur and other similar statements), you must remember that our expectations may not be achieved, even though we believe they are reasonable. We do not guarantee that any future transactions or events described herein will happen as described or that they will happen at all. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. Whether actual events or results will conform with our expectations and predictions is subject to a number of risks and uncertainties. For further discussion see *Item 1A. Risk Factors.* The risks and uncertainties include, but are not limited to, the following:

General Risks Affecting Our Business

- Our EchoStar Satellite Services segment currently derives a significant portion of its revenue from its primary customer, DISH Network. The loss of, or a significant reduction in, orders from, or a decrease in selling prices of transponder leasing, provision of digital broadcast services, and/or other products or services to DISH Network would significantly reduce our revenue and adversely impact our results of operations.

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

- We currently face competition from established competitors in the satellite service business and may face competition from others in the future.

- The network communications market is highly competitive. We may be unsuccessful in competing effectively against other terrestrial and satellite broadband and network providers.

- We may have unused satellite capacity in our EchoStar Satellite Services segment, and our results of operations may be materially adversely affected if we are not able to lease this capacity to third parties.

- 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.

- 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.

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

- We may experience significant financial losses on our existing investments.

- We may pursue acquisitions and other strategic transactions to complement or expand our business, which may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.
- We may not be able to generate cash to meet our debt service needs or fund our operations.
- Covenants in our indentures restrict our business in many ways.
- We rely on key personnel and the loss of their services may negatively affect our businesses.

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.
- Our satellites have minimum design lives ranging from 12 to 15 years, but could fail or suffer reduced capacity before then.
- Our satellites under construction are subject to risks related to construction and launch that could limit our ability to utilize these satellites.
- We generally do not have commercial insurance coverage on the satellites we use and could face significant impairment charges if one of our uninsured satellites fails.

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

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

Risks Related to the Regulation of Our Business

- Our business is subject to risks of adverse government regulation.
- Our business depends on Federal Communications Commission (“FCC”) and other licenses that can expire or be revoked or modified and applications for FCC and other licenses that may not be granted.
- We may not be aware of certain foreign government laws or regulations or changes to them which could have a significant adverse impact on our business.
- Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.
- We may face difficulties in accurately assessing and collecting contributions towards the Universal Service Fund.

Other Risks

- Our parent, EchoStar, is controlled by one principal stockholder who is our Chairman.
- We have potential conflicts of interest with DISH Network due to EchoStar and Dish Network’s common ownership and management.
- We cannot assure you that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.
- EchoStar, our parent, has not been an independent company for a significant amount of time and it may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company.
- Although we expect that the Hughes Acquisition will benefit us, those expected benefits may not occur because of the complexity of integration and other challenges.

· We are a wholly owned subsidiary of EchoStar Corporation ("EchoStar") and do not operate as an independent company.

· We may face other risks described from time to time in periodic and current reports 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 described herein and should not place undue reliance on any forward-looking statements. We assume no responsibility for updating forward-looking information contained or incorporated by reference herein or in other reports we file with the SEC.

In this report, the words "HSS," the "Company," "we," "our" and "us" refer to Hughes Satellite Systems Corporation and its subsidiaries, unless the context otherwise requires. "EchoStar" refers to EchoStar Corporation and its subsidiaries, unless the context otherwise requires. "DISH Network" refers to DISH Network Corporation and its subsidiaries, unless the context otherwise requires.

PART I

Item 1. BUSINESS

OVERVIEW

Hughes Satellite Systems Corporation (together with its subsidiaries, "HSS," the "Company," "we," "us" and/or "our"), is a holding company and a direct, wholly-owned subsidiary of EchoStar Corporation ("EchoStar"). We are a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. We were formed as a Colorado corporation in March 2011 to facilitate the acquisition of Hughes Communications, Inc. and its subsidiaries ("Hughes Communications") and related financing transactions. In connection with our formation, EchoStar contributed the assets and liabilities of its satellite services business, including its principal operating subsidiary of its satellite services business, EchoStar Satellite Services L.L.C., to us. On June 8, 2011, EchoStar completed the acquisition of Hughes Communications (the "Hughes Acquisition"), pursuant to the agreement and plan of merger (the "Hughes Agreement") by and between us, certain of our subsidiaries, including EchoStar Satellite Services L.L.C., and Hughes Communications, Inc. Our historical financial statements, prior to June 9, 2011, only reflect the historical consolidated financial position and operating results of EchoStar's satellite services business and our historical financial statements on and after June 9, 2011 give effect to the Hughes Acquisition. We currently operate in two business segments:

· ***Hughes*** — which provides satellite broadband Internet access to North American consumers and broadband network services and systems to the domestic and international enterprise markets. Our Hughes segment also provides managed services to large enterprises and networking systems solutions to customers for mobile satellite and wireless backhaul systems. Hughes became a new segment as a result of the Hughes Acquisition. See Note 12 in the Notes to our Consolidated Financial Statements in Item 15 of this report for further discussion of the Hughes Acquisition.

· ***EchoStar Satellite Services*** ("ESS") — which uses certain of our owned and leased in-orbit satellites and related licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, S. de R.L. de C.V. ("Dish Mexico"), a joint venture that we entered into in 2008, United States government service providers, state agencies, Internet service providers, broadcast news organizations, programmers, and private enterprise customers.

Effective January 1, 2008, DISH Network completed its distribution to EchoStar (the "Spin-off") of its digital set-top box business and certain infrastructure and other assets, including certain of its satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities. Since the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, or by certain trusts established by Mr. Ergen for the benefit of his family.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act and accordingly file an annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K 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 Exchange Act also may be accessed free of charge through the website of our parent company, EchoStar, 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.

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 or results of operation could be materially and adversely affected.

GENERAL RISKS AFFECTING OUR BUSINESS

Our EchoStar Satellite Services segment currently derives a significant portion of its revenue from its primary customer, DISH Network. The loss of, or a significant reduction in, orders from, or a decrease in selling prices of transponder leasing, provision of digital broadcast services, and/or other products or services to DISH Network would significantly reduce our revenue and adversely impact our results of operations.

DISH Network accounted for 72.4%, 77.6% and 79.5% of the total revenue of our EchoStar Satellite Services segment for the years ended December 31, 2012, 2011 and 2010, respectively. Any reduction in sales to DISH Network or in the prices it pays for the products and services it purchases from us could have a significant negative impact on our EchoStar Satellite Services segment. In addition, because a significant portion of the revenue of EchoStar Satellite Services segment is derived from DISH Network, the success of EchoStar Satellite Services segment also depends to a significant degree on the continued success of DISH Network in attracting new subscribers, marketing programming packages and other services.

DISH Network has only certain obligations to purchase certain services from our EchoStar Satellite Services segment. Therefore, our relationship with DISH Network could be terminated or substantially curtailed with little or no advance notice. Any material reduction in our sales to DISH Network would have a significant adverse effect on our business, results of operations and financial position.

Furthermore, if we lose DISH Network as a customer, it will be difficult for us to replace, in whole or in part, our historical revenues from DISH Network because there are a relatively small number of potential customers for our products and services, and we have had limited success in attracting such potential customers in the past.

Historically, many potential customers of our EchoStar Satellite Services 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 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 management services). Therefore, the operating results from our EchoStar Satellite Services segment will likely continue to depend on sales to a relatively small number of customers, as well as the continued success of these customers. In addition, we may, from time to time, enter into customer agreements providing for exclusivity periods during which we may sell a specified product only to that customer. 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.

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

Our business depends on the economic health and willingness of our customers and potential customers to make and adhere to capital and financial commitments to purchase our products and services. The U.S. and world economy experienced significant slowdown and other weaknesses in the past few years, and the economic environment may continue to be unfavorable in the future.

Our ability to grow or maintain our business may be adversely affected by sustained economic weakness, including the effect of wavering consumer confidence, high unemployment, and other factors that may adversely affect our customers and the telecommunications industry. In particular, the weak economic conditions may result in the following:

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- ***Decreased Demand and Increased Pricing Pressure***. End-customers of our products and services, including subscribers to pay-TV and satellite broadband Internet users, may delay purchasing decisions or reduce or reallocate their discretionary spending, which may in turn decrease demand for our products and services, including programming packages from pay-TV providers and end-customers, which may in turn adversely affect us. In addition, the telecommunications industry has been facing significant challenges resulting from excess capacity, new technologies, and intense price competition. If the U.S. and world economic conditions continue to be volatile or deteriorate further or if the telecommunications industry experiences future weakness, we could experience reduced demand for, and pricing pressure on, our products and services, which could lead to a reduction in our revenues and adversely affect our business, financial condition and results of operations.

- ***Excess Satellite Capacity.*** There is an increased risk of having excess satellite capacity resulting from possible decreased demand for pay-TV services and other services utilizing satellite transmission.

- ***Increased Impairment Charges.*** Sustained economic weakness could result in substantial future impairment charges relating to, among other things, satellites, regulatory authorizations, goodwill and intangibles, and our debt and equity investments.

We currently face competition from established competitors in the satellite service business and may face competition from others in the future.

We compete against larger, well-established satellite service companies, such as Intelsat, SES S.A. and Telesat. 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 fleet capacity, both of which could have an adverse effect on our financial performance. Our EchoStar Satellite Services segment also competes with fiber optic cable and other terrestrial delivery systems, which may have a cost advantage, particularly in point-to-point applications where such delivery systems have been installed.

The network communications market is highly competitive. We may be unsuccessful in competing effectively against other terrestrial and satellite broadband and network providers.

In our consumer market, we face competition primarily from Digital Subscriber Line ("DSL"), and cable Internet service providers. Also, other telecommunications, satellite and wireless broadband companies have launched or are planning the launch of consumer satellite Internet access services in competition with ours in North America. 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. Our primary competitor for consumer satellite Internet access services is ViaSat Communications, which is owned by ViaSat. There can be no assurance that our product offerings will remain competitive with those of ViaSat Communications.

In our enterprise network communications market, we face 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. The enterprise 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, especially in areas that have experienced significant DSL and cable Internet build-out. It may become more difficult for us to compete with terrestrial providers as the number of these areas increases and the cost of their network and hardware services declines.

We may have unused satellite capacity in our EchoStar Satellite Services segment, and our results of operations may be materially adversely affected if we are not able to lease this capacity to third parties.

We currently have unused satellite capacity in our EchoStar Satellite Services segment. While we are currently evaluating various opportunities to make profitable use of our satellite capacity (including, but not limited to, supplying satellite capacity for new international ventures), we do not have firm plans to utilize all of our satellite capacity. There can be no assurance that we can successfully develop the business opportunities we currently plan to pursue to utilize this capacity. If we are unable to lease our satellite capacity to third parties, 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, as well as anticipated future business, to the extent our existing broadband customers are not expected to utilize our SPACEWAY 3 or EchoStar XVII satellites. If future demand does not meet our expectations, we will be committed to maintaining excess satellite capacity for which we will have no, or insufficient, revenues to cover our costs, which would have a negative impact on our margins and results of operations. We have satellite capacity commitments, generally for two to five year terms, with third parties to cover different geographical areas or support different applications and features; therefore, we may not be able to quickly or easily adjust our capacity to changes in demand. If we only purchase satellite capacity based on existing contracts and bookings, capacity for certain types of coverage in the future that cannot be readily served by SPACEWAY 3 or EchoStar XVII may be unavailable 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 earned for those services. At present, until the launch and operation of additional satellites, there is limited availability of capacity on the Ku-band frequencies in North America. In addition, the fixed satellite services(" FSS") industry has seen consolidation in the past decade, and today, the three 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 Ku-band capacity available to us. If we are not able to renew our capacity leases at economically viable rates, or if capacity is not available due to any problems of the FSS providers, our business and results of operations could be adversely affected, to the extent SPACEWAY 3 and EchoStar XVII are unable to satisfy the associated demand.

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 and in some cases a single supplier manufacture 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.

- ***Commodity Price Risk.*** Fluctuations in pricing of raw materials have the ability to affect our product costs. Although we have been successful in offsetting or mitigating our exposure to these fluctuations, such changes could have an adverse impact on our product costs.

- ***Manufacturing.*** While we develop and manufacture prototypes for 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 may be harmed.

- ***Installation and customer support services.*** Each of our North American and international operations utilizes a network of third-party installers to deploy our hardware. In addition, a portion of our customer support and management is provided by offshore call centers. Since we provide customized services for our customers that are essential to their operations, 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.

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

Our operations outside the U.S. accounted for approximately 22.0%, 19.2% and 3.2% of our revenues for the years ended December 31, 2012, 2011 and 2010, respectively. We expect our foreign operations to continue to represent a significant portion of our business. We have operations in Brazil, Germany, India, Indonesia, Italy, Mexico, the Russian Federation, South Africa, the United Arab Emirates, the United Kingdom and China, among other nations. Over the last 20 years, our Hughes segment has sold products in over 100 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 in certain circumstances. In such event, we will not have access to the cash flow and assets of our joint ventures.

- ***Difficulties in following a variety of foreign laws and regulations, such as those relating to data content retention, privacy and employee welfare.*** Our international operations are subject to the laws of many different jurisdictions that may differ significantly from U.S. law. For example, local political or intellectual property law may hold us responsible for the data that is transmitted over our network by our customers. Also, other nations have more stringent employee welfare laws that guarantee perquisites that we must offer. 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.

- ***Restrictions on space station landing rights/coordination.*** Satellite market access and landing rights are dependent on the national regulations established by foreign governments, including, but not limited to: (a) national coordination requirements and registration requirements for satellites; and (b) reporting requirements of national telecommunications regulators with respect to service provision and satellite performance.

- ***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 revenues; (b) the burden of creating and maintaining additional facilities and 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 ever 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.

- ***Significant competition in our international markets.*** Outside North America, we have traditionally competed for hardware and services sales primarily in Europe, Brazil and India and focused only on hardware revenues in other regions. In Europe, we face intense competition which is not expected to abate in the near future.

- ***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 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. These fluctuations in currency exchange rates have affected, and may in the future affect, revenue, profits and cash earned on international sales. 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 or currency devaluation.

- ***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, labor or political disturbances or conflicts of various sizes. 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, particularly in Asia and Latin America, has adversely affected the 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 the foreign countries in which we operate.

We may experience significant financial losses on our existing investments.

We have entered into certain strategic transactions and investments in North and South America, Asia and elsewhere. These investments involve a high degree of risk and could diminish our ability to invest capital in our business. 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. 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. 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.

We may pursue acquisitions and other strategic transactions to complement or expand our business, which may not be successful and we may lose up to the entire value 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 other businesses or technologies or partner with other companies that could complement, enhance or expand our current business or products or that may otherwise offer us growth opportunities. We may pursue acquisitions, joint ventures or other business combination activities to complement or expand our business. Any such acquisitions, 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 or joint venture;
- possible adverse effects on our operating results during the integration process;
- exposure to significant financial losses if the transactions and/or the underlying ventures are not successful; and/or we are unable to achieve the intended objectives of the transaction;
- the inability to obtain in the anticipated time frame, or at all, any regulatory approvals required to complete proposed acquisitions, transactions or investments; and
- the risks associated with complying with regulations applicable to the acquired business which may cause us to incur substantial expenses.

New acquisitions, joint ventures and other transactions may require the commitment of significant capital that may otherwise be directed to investments in our existing businesses. Commitment of this capital may cause us to defer or suspend any capital expenditures that we otherwise may have made.

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We have made and will continue to make significant investments in research, development, and marketing for new products, services and related technologies, as well as entry into new business areas. Investments in new technologies 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, technologies and business area become profitable, their operating margins may be minimal.

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

We have outstanding $1.1 billion of senior secured notes (the "Secured Notes") and $900 million of senior unsecured notes (the "Unsecured Notes" and, together with the Secured Notes, the "Notes"). Our ability to make payments on or to refinance our indebtedness and to fund our operations will depend on our ability to generate cash in the future, which is subject in part to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may need to raise additional debt in order to fund ongoing operations or to capitalize on business opportunities. We may not be able to generate sufficient cash flow from operations and future borrowings may not be available in amounts sufficient to enable us to service our indebtedness or to fund our operations or other liquidity needs. If we are unable to generate sufficient cash, we may be forced to take actions such as revising or delaying our strategic plans, reducing or delaying capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to affect any of these remedies on satisfactory terms, or at all. The indentures governing the Notes also limit our ability to dispose of assets and use the proceeds from such dispositions. Therefore, we may not be able to consummate those dispositions on satisfactory terms, or at all, or to use those proceeds in a manner we may otherwise prefer.

In addition, weakness in the financial markets could make it difficult for us to access capital markets at acceptable terms or at all. Instability 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 economic weakness may limit our ability to generate sufficient internal cash to fund investments, capital expenditures, acquisitions, and other strategic transactions. We cannot predict with any certainty whether or not we will be impacted by sustained economic weakness. 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 Notes contain various covenants, subject to certain exceptions, that limit our ability and/or our restricted subsidiaries' ability to, among other things:

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

Failure to comply with these and certain other financial covenants, if not cured or waived, may result in an event of default under the indentures, which could have a material adverse effect on our business 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 indenture governing the Secured Notes, could proceed against the collateral that secures the Secured Notes. We and certain of our subsidiaries have pledged a significant portion of our assets as collateral under the indenture governing the 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 effected on commercially reasonable terms or at all.

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 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 all of our executives have agreements limiting their ability to work for or consult with competitors if they leave us, we generally do not have employment agreements with them. To the extent Mr. Ergen or other officers are performing services to both DISH Network and us, their attention may be diverted away from our business and therefore adversely affect our business.

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 and general failures resulting from operating satellites in the harsh environment of space.

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 from occurring and may experience anomalies in the future, whether of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially and adversely affect our ability to utilize the satellite, our operations and revenues as well as our relationship with current customers and our ability to attract new customers. In particular, future anomalies may result in the loss of individual transponders on a satellite, a group of transponders on that satellite or the entire satellite, depending on the nature of the anomaly. Anomalies may also reduce the expected capacity 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.

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 spacecraft are in uncontrolled orbits, which pass through the geostationary belt at various points and present hazards to operational spacecraft, 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.

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 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 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. Such a relocation would require FCC approval and, among other things, a showing to the FCC that the replacement satellite would not cause additional interference compared to the failed or lost satellite. We cannot be certain that we could obtain such FCC 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 and launch that could limit our ability to utilize these satellites.

Satellite construction and launch are subject to significant risks, including delays, launch failure and incorrect orbital placement. Certain launch vehicles that may be used by us have either unproven track records or have experienced launch failures in the past. The risks of launch delay and failure are usually greater when the launch vehicle does not have a track record of previous successful flights. Launch failures 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. Construction and launch delays could materially and adversely affect our ability to generate revenues. Historically, we generally have not carried launch insurance on our satellites; if a launch failure were to occur, it could have a material adverse effect on our ability to fund future satellite procurement and launch opportunities. In addition, the occurrence of launch failures, whether on our satellites or those of others, may significantly reduce the availability of launch insurance on our satellites or make launch insurance premiums uneconomical.

We generally do not have commercial insurance coverage on the satellites we use and could face significant impairment charges if one of our uninsured satellites fails.

We generally do not carry in-orbit insurance on any of our satellites, other than SPACEWAY 3, EchoStar XVI and EchoStar XVII, and often do not use commercial insurance to mitigate the potential financial impact of launch or in-orbit failures because we believe that the cost of insurance premiums is uneconomical relative to the risk of such failures. If one or more of our in-orbit uninsured satellites fail, we could be required to record significant impairment charges.

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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, and it can be difficult to determine the outcome of these coordination agreements with these other entities. 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 revenues will be impacted.

Furthermore, the satellite coordination process is conducted under the guidance of the International Telecommunication Union 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.

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 Astrium Satellites, Boeing Satellite Systems, Lockheed Martin, Space Systems Loral (“SS/L”) 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, United Launch Alliance and Sea Launch Company. The loss 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 would 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 and retain these employees, we may not succeed in this respect.

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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, 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 results of operations. Even if we believe any such challenges or claims are 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. For example, in February 2012, ViaSat and its subsidiary ViaSat Communications filed a lawsuit in the U.S. District Court for the Southern District of California against SS/L, the manufacturer of EchoStar XVII. ViaSat alleges, among other things, that SS/L infringes four different patents, and has breached its contractual obligations through the use of such patented technology to manufacture EchoStar XVII and other satellites. While we are not a named party to this matter, an adverse decision against SS/L could have a significant impact on our business operations and impair our ability to make use of the EchoStar XVII satellite.

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

We are subject to various legal proceedings and claims, which arise in 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, 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 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.

The capacity, reliability and security of our information technology hardware and software infrastructure are important to the operation of our current business, which would suffer in the event of system disruptions or failures, such as computer hackings, cyber attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks or other malicious activities. Our networks and those of our third-party service providers and our customers may be vulnerable to these attacks and unauthorized access. Persons who

circumvent security measures could wrongfully obtain or use information on the network or cause interruptions, delays or malfunctions in our operations, any of which could have a material adverse effect on our business, financial condition and results of operations. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we have implemented and intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower network operations center availability and have a material adverse effect on our business, financial condition and results of operations. Likewise, 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. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include 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 revenues.

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. 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; and (vii) 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 adversely affect our revenues 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 entities, and in foreign countries by similar entities and internationally by the ITU. These regulations are subject to the political process and have changed from time to time. Moreover, a substantial number of foreign countries in which we have, or may in the future make, an investment, regulate, in varying degrees, the ownership of satellites and the distribution and ownership of programming services 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 must be anticipated, and there can be no assurance that our business and the business of our affiliates will not be adversely affected by future legislation, new regulation or deregulation.

Our business depends on FCC and other licenses that can expire or be revoked or modified and applications for FCC and other licenses 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 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. There can be no assurance that the FCC or other regulators will continue granting applications for new earth stations or for the renewal of

existing ones. If the FCC were to cancel, revoke, suspend, or fail to renew any of our licenses or authorizations, or fail to grant our applications for FCC licenses, it could have a material adverse effect on our business, financial condition and results of operations. Specifically, loss of a frequency authorization 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, Congress often considers legislation that could affect us and enacts legislation that does affect us, and FCC proceedings to implement the Communications Act and enforce its regulations are ongoing. 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 not be aware of certain foreign government laws or regulations or changes to them which could have a significant adverse impact on our business.

Because regulatory schemes vary by country, we may be subject to laws or regulations in foreign countries of which we are not presently aware. If that were to be the case, we could be subject to sanctions 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. The failure to obtain the authorizations necessary to operate satellites internationally could have a material adverse effect on our ability to generate revenue and our overall competitive position.

We, our customers and companies with whom we do business may be required to have authority from each country in which we or they provide services or provide our customers use of our satellites. Because laws and regulations in each country are different, we may not be aware if some of our customers and/or companies with which we do business do not hold the requisite licenses and approvals.

Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with foreign national requirements for the registration of satellites and associated obligations. We may not be aware of the laws for new markets in which we intend to conduct business. Furthermore, for those countries in which we are presently conducting business, the requirements relating to satellite registration and satellite services could be changed. Non-compliance with these requirements may result in the loss of the authorizations and licenses to conduct business in these countries.

We must comply with all applicable export control laws and regulations of the U.S. and other countries. U.S. laws and regulations applicable to us 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 is regulated by the U.S. Department of State's Directorate of Defense Trade Controls under ITAR. Other items are controlled for export by the U.S. Department of Commerce's Bureau of Industry and Security under EAR. We cannot provide 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.

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. If we are found to be liable for violating these laws, we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse impact on our business, financial condition, and results of operations.

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

As a provider of telecommunications services in the U.S., we are presently required to contribute a fee, which is based upon a percentage of our revenues from telecommunications services, to the Universal Service Fund to support mechanisms that subsidize the provision of services to low-income consumers, high-cost areas, schools, libraries and rural health care providers. This percentage is set each calendar quarter by the FCC. Current FCC rules permit us to pass this Universal Service Fund contribution onto our customers.

Because our customer contracts often include both telecommunications services, which create such support obligations, and other goods and services, which do not, it can be difficult to determine which portion of our revenues forms the basis for this contribution and the amount that we can recover from our customers. If the FCC, which oversees the support mechanisms, or a court or other governmental entity were to determine that we computed our 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 Universal Service Fund 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 Universal Service Fund contribution rules could adversely affect our costs of providing service to our customers. In addition, changes to the Universal Service Fund distribution rules could intensify the competition we face by offering subsidies to competing firms and/or technologies.

OTHER RISKS

Our parent, EchoStar, is controlled by one principal stockholder who is our Chairman.

Charles W. Ergen, EchoStar's Chairman, beneficially owns approximately 51.5% of EchoStar's total equity securities (assuming conversion of only the Class B Common Stock held by Mr. Ergen into Class A Common Stock) and possesses approximately 79.5% of the total voting power. Mr. Ergen's beneficial ownership of EchoStar excludes 6,646,648 shares of EchoStar's Class A Common Stock issuable upon conversion of shares of its Class B Common Stock currently held by certain trusts established by Mr. Ergen for the benefit of his family. These trusts beneficially own approximately 14.3% of EchoStar's total equity securities (assuming conversion of only the Class B Common Stock held by such trusts into Class A Common Stock) and possess approximately 12.9% of EchoStar's total voting power. Thus, Mr. Ergen has the ability to elect a majority of EchoStar's directors and to control all other matters requiring the approval of its stockholders. As a result of Mr. Ergen's voting power, EchoStar is a "controlled company" as defined in the Nasdaq listing rules and, therefore, is not subject to Nasdaq requirements that would otherwise require EchoStar 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; and (iv) 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.

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

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 officerships, directorships and stock ownership.*** We have certain overlap in directors and executive officers with DISH Network, which may lead to conflicting interests. EchoStar's 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 DISH Network, EchoStar and us. The executive officers and the members of EchoStar's 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 EchoStar's 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. Furthermore, Charles W. Ergen, our Chairman is employed by both DISH Network and EchoStar.

- ***Intercompany agreements related to the Spin-off.*** EchoStar entered into agreements with DISH Network pursuant to which DISH Network provides EchoStar and us certain management, administrative, accounting, tax, legal and other services, for which EchoStar pays DISH Network an amount equal to DISH Network's cost plus a fixed margin. In addition, EchoStar entered into a number of intercompany agreements covering matters such as tax sharing and its responsibility for certain liabilities previously undertaken by DISH Network for certain of its businesses. EchoStar also entered into certain commercial agreements with DISH Network. The terms of certain of these agreements were established while EchoStar was 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 EchoStar under the separation and ancillary agreements EchoStar entered into with DISH Network 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 EchoStar. In addition, conflicts could arise in the interpretation or any extension or renegotiation of these existing agreements.

- ***Additional intercompany transactions.*** DISH Network or its affiliates have and will 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 the approval of EchoStar's committee of 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 retains its 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. In addition, pursuant to a distribution agreement, DISH Network has the right, but not the obligation, to market, sell and distribute our Hughes segment's broadband Internet service under the dishNET brand which could compete with sales by our Hughes segment. 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 with DISH Network that would prevent us from competing with each other. However, many of our potential customers 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 and certain shared management services).

We cannot assure you that there will not be deficiencies leading to material weaknesses in our internal control over financial reporting.

We periodically evaluate and test our internal control over financial reporting to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act. As the Company grows and changes, we continue to integrate accounting and operating systems, as well as policies, processes, people, technology and operations for the Company. Management continues to evaluate our internal control over financial reporting as we execute integration activities. Our management has concluded that our internal control over financial reporting was effective as of December 31, 2012. If in the future we are unable to report that our internal control over financial reporting is effective, investors, customers and business partners could lose confidence in the accuracy of our financial reports, which could in turn have a material adverse effect on our business, investor confidence in our financial results may weaken, and EchoStar's stock price may suffer.

EchoStar, our parent, has not been an independent company for a significant amount of time and it may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company.

Prior to the Spin-off from DISH Network, EchoStar's business (including our EchoStar Satellite Services segment) was operated by DISH Network as part of its broader corporate organization, rather than as an independent company. DISH Network's senior management oversaw the strategic direction of EchoStar's businesses and DISH Network performed various corporate functions for EchoStar and us, including, but not limited to:

- human resources related functions;
- accounting;
- tax administration;
- legal and external reporting;
- treasury administration, investor relations, internal audit and insurance functions; and
- information technology and telecommunications services.

DISH Network and its affiliates are currently obligated to provide certain of these functions to EchoStar and us pursuant to the management services agreement and the professional services agreement between EchoStar and DISH Network. See Note 16 in the Notes to our Consolidated Financial Statements in Item 15 of this report for further discussion. If DISH Network does not continue to perform effectively the services that are called for under the management services agreement and the professional services agreement, we may not be able to operate our business effectively. In addition if, once the management services agreement and the professional services agreement terminate, we do not have in place our own systems and business functions, we do not have agreements with other providers of these services or we are not able to make these changes cost-effectively, our operations may be disrupted and our profitability may decline.

Although we expect that the Hughes Acquisition will benefit us, those expected benefits may not occur because of the complexity of integration and other challenges.

EchoStar acquired Hughes Communications on June 8, 2011. Achieving the expected benefits of the Hughes Acquisition will depend in part on our ability to integrate Hughes Communications' operations, technology and personnel in a timely and efficient manner. We have incurred substantial direct transaction costs associated with the Hughes Acquisition, and will incur additional costs associated with consolidation and integration of operations. The integration of Hughes Communications is complex, time-consuming, and expensive, and may disrupt our business or result in the loss of our or Hughes Communications' customers or key employees or the diversion of our

management's attention. In addition, the integration process may strain our financial and managerial controls and reporting systems and procedures. This may result in the diversion of management and financial resources from our core business objectives. There can be no assurance that the integration will be completed as quickly as we expect or that the Hughes Acquisition will achieve its expected benefits. Moreover, issues arising from the integration of EchoStar and Hughes Communications, including, among others, differences in corporate culture, may affect our ability to retain technically skilled employees of either company. If we are unable to attract and retain technically skilled employees, we may not be able to respond to changes in technologies and, as a result, our competitive position could be materially and adversely affected.

If the total costs of the Hughes Acquisition exceed our estimates or if the expected benefits of the Hughes Acquisition do not exceed the total costs of the Hughes Acquisition, our business, financial condition and results of operations could be materially adversely affected.

We are a wholly owned subsidiary of EchoStar and do not operate as an independent company.

We rely on EchoStar for a substantial portion of our administrative and management functions and services including human resources-related functions, accounting, tax administration, legal, external reporting, treasury administration, internal audit and insurance functions, information technology and telecommunications services and other support services. While we have access to certain of Hughes Communications' infrastructure, we do not have systems and resources in place to perform all these functions or services. Instead, we generally receive these services pursuant to an arrangement between us and EchoStar. EchoStar in turn receives certain of these services from DISH Network pursuant to a management services agreement and a professional services agreement entered into between them. We anticipate continuing to rely upon DISH Network to provide many of these services. If our intercompany arrangement with EchoStar were to terminate, or if EchoStar no longer receives certain services from DISH Network, we would need to obtain agreements with third-party service providers or obtain additional internal resources, neither of which may be available on acceptable terms or at all.

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.

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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"), EchoStar Satellite Services segment ("ESS") and Other segment. 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 (4)	Segment(s) Using Property	Leased/ Owned	Function
San Diego, California	Hughes	Leased	Engineering and sales offices
Gaithersburg, Maryland	Hughes	Leased	Manufacturing and testing facilities, engineering and administrative offices
Rockville, Maryland (2)	Hughes	Leased	Subsidiary's corporate headquarters
Southfield, Michigan (1)	Hughes	Leased	Shared hub
Las Vegas, Nevada (1)	Hughes	Leased	Shared hub, antennae yards, gateway, backup network operation and control center for Germantown
Lindon, Utah	Hughes	Leased	Office space and engineering offices
Barueri, Brazil (1)	Hughes	Leased	Shared hub and warehouse
Sao Paulo, Brazil	Hughes	Leased	Hughes Brazil corporate headquarters, sales offices
Griesheim, Germany (1)	Hughes	Leased	Office space, shared hub, operations, warehouse
Bangalore, India (2)	Hughes	Leased	Office space and guest house
Gurgaon, India (1)(2)	Hughes	Leased	Subsidiary's corporate headquarters, shared hub, operations, development center and warehouse
Mumbai, India (2)	Hughes	Leased	Warehouse and office space
New Delhi, India	Hughes	Leased	Hughes India corporate headquarters
Milton Keynes, United Kingdom	Hughes	Leased	Hughes Europe corporate headquarters and operations
Germantown, Maryland (1)	Hughes	Owned	Hughes corporate headquarters, engineering lab, network operations and shared hubs
Gilbert, Arizona (1)(3)	ESS	Leased	Digital broadcast operations center
Monee, Illinois (1)(3)	ESS	Leased	Regional digital broadcast operations center
Baker, Montana (1)(3)	ESS	Leased	Spacecraft autotrack operations center
Orange, New Jersey (1)(3)	ESS	Leased	Regional digital broadcast operations center
Black Hawk, South Dakota (1)(3)	ESS	Leased	Spacecraft autotrack operations center
New Braunfels, Texas (1)(3)	ESS	Leased	Regional digital broadcast operations center
Mt Jackson, Virginia (1)(3)	ESS	Leased	Regional digital broadcast operations center
Spokane, Washington (1)(3)	ESS	Leased	Regional digital broadcast operations center
Cheyenne, Wyoming (1)(3)	ESS	Leased	Digital broadcast operations center
Kankakee, Illinois (1)(3)	ESS	Owned	Regional digital broadcast operations center
Winchester, Virginia (1)(3)	ESS	Owned	Regional digital broadcast operations center
Englewood, Colorado (3)	ESS/Other	Owned	Corporate headquarters — These properties are owned by Parent EchoStar

(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) These properties are owned by EchoStar Corporation or its subsidiaries.
(4) We have multiple gateways (25) throughout the Western part of the U.S. that support the SPACEWAY 3 and EchoStar XVII satellites.

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Item 3. LEGAL PROCEEDINGS

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

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

CreateAds LLC

On February 7, 2013, CreateAds LLC ("CreateAds") filed suit against our wholly-owned subsidiary, Hughes Network Systems, LLC in the United States District Court for the District of Delaware alleging infringement of United States Patent No. 5,535,320, which is entitled "Method of Generating a Visual Design." CreateAds appears to assert that some portion of HughesNet web design services infringes its patent.

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

E-Contact Technologies, LLC

On February 22, 2012, E-Contact Technologies, LLC ("E-Contact") filed suit against two of our subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC, in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 5,347,579, which is entitled "Personal Computer Diary." E-Contact appears to assert that some portion of HughesNet email services infringe that patent. HughesNet email services are provided by a third-party service provider, who has assumed indemnification obligations for the case. On May 31, 2012, E-Contact filed a first amended complaint. The amended complaint removed the original complaint's requests for a finding of willfulness and entry of an injunction.

We, along with the third-party service provider, intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Network Acceleration Technologies, LLC

On November 30, 2012, Network Acceleration Technologies, LLC ("NAT") filed suit against Hughes Network Systems, LLC, our indirectly wholly-owned subsidiary, in the United States District Court for the District of Delaware alleging infringement of United States Patent No. 6,091,710 (the "710 patent"), which is entitled "System and Method for Preventing Data Slow Down Over Asymmetric Data Transmission Links." NAT is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

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We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TQP Development, LLC

On November 14, 2012, TQP Development LLC ("TQP") filed suit against Hughes Network Systems, LLC. in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent No. 5,412,730, which is entitled "Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys." TQP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information. As of February 20, 2013, all of our 1,000 issued and outstanding shares of common stock were held by EchoStar. There is currently no established trading market for our common stock.

Dividends. We have not paid any cash dividends on our common stock in the past two years. Payment of any future dividends will depend upon our earnings and capital requirements, contractual restrictions, and other factors the Board of Directors considers appropriate. Our ability to declare dividends is affected by covenants in our indentures.

Item 7. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

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

EXECUTIVE SUMMARY

We are a holding company and a direct, wholly-owned subsidiary of EchoStar Corporation ("EchoStar"). We were formed as a Colorado corporation in March 2011. We are a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. We currently operate in two business segments: the Hughes segment and the EchoStar Satellite Services segment.

Hughes Segment

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

The Hughes segment uses its two owned satellites, SPACEWAY 3 and EchoStar XVII, and additional satellite capacity acquired from multiple third-party providers to provide satellite broadband Internet access to North American consumers, which we refer to as the consumer market, and broadband network services and systems to the domestic and international enterprise markets. Our Hughes segment also provides managed services to large enterprises and networking systems solutions to customers for mobile satellite and wireless backhaul systems. We incorporate advances in technology to reduce costs and to increase the functionality and reliability of our products and services. Through the usage of advanced spectrally efficient modulation and coding methodologies, such as DVB-S2 and proprietary software web acceleration and compression 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. Beginning in October 2012, we introduced HughesNet Gen4 broadband Internet services to our customers in North America on EchoStar XVII, which was launched in July 2012. 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 has the right, but not the obligation, to market, sell and distribute the Hughes satellite Internet service (the "Hughes service"). dishNET pays us a monthly per subscriber wholesale service fee for the Hughes service based upon a subscriber's service level and beginning January 1, 2014, 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 its service. The Distribution Agreement has a five year term 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. 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.

As of December 31, 2012 and 2011, our Hughes segment had approximately 659,000 and 626,000 customers, respectively, that subscribed to its small/medium enterprise service, HughesNet and dishNET services and other reseller arrangements. As of December 31, 2012 and 2011, we had $1.063 billion and $1.036 billion, respectively, of contracted revenue backlog. Our revenue backlog as of December 31, 2011 included $252 million related to EchoStar XVII, which was under construction in 2011. We define Hughes revenue backlog as our expected future revenue under customer contracts that are non-cancelable, excluding agreements with customers in our consumer market. Of the $1.063 billion of revenue backlog as of December 31, 2012, we expect to recognize approximately $391 million of revenue in 2013.

We continue our efforts in growing our consumer revenue, which depends on our success in adding new subscribers on our Hughes segment's satellite networks. Accordingly, we may need to adjust our service offerings in response to the offerings of our competitors, including ViaSat Communications, Inc. In addition, we focus on expanding our enterprise business, both domestically and internationally. However, the growth of the enterprise business relies heavily on global economic conditions.

Acquisition of Hughes Communications, Inc. On June 8, 2011, EchoStar completed the acquisition of Hughes Communications, Inc. and its subsidiaries ("Hughes Communications"). In connection with the acquisition of Hughes Communications (the "Hughes Acquisition"), we recorded $504 million of goodwill, which was assigned to reporting units of the Hughes segment ("Hughes goodwill"). During the second quarter of 2012, we performed step one of our annual two-step test of impairment of such goodwill. Step one involves a comparison of the estimated fair value of the reporting unit with its carrying amount, including goodwill. We estimated fair value of the reporting units using discounted cash flow techniques, which included significant assumptions about prospective financial information, terminal value and discount rates. Based on this quantitative test, we determined that the estimated fair values of the

Hughes reporting units were in excess of the corresponding carrying amounts, including goodwill. Accordingly, we concluded that goodwill assigned to the Hughes segment was not impaired and it was not necessary to perform step-two of the two-step goodwill impairment test. Due to the relatively short period of time that had elapsed since the date of the Hughes Acquisition and the absence of significant changes in our business forecasts and market-based assumptions during that period, the estimated fair values and carrying amounts of our reporting units (which reflect fair value measurements on the acquisition date) had not changed significantly from the acquisition date. Consequently, the estimated fair values of our reporting units did not exceed their corresponding carrying amounts by a substantial amount. If the estimated cash flows reflected in our fair value estimates were decreased by 10% and/or the discount rate used to discount such cash flows were increased by 10%, a portion of our goodwill would have been impaired and it would have been necessary to perform step two of the impairment test to determine the amount of the impairment loss. Based on review and assessment of the business as of December 31, 2012, no "triggering" events were identified that indicated that the Hughes goodwill was impaired as of December 31, 2012. See Note 8 in the Notes to our Consolidated Financial Statements in Item 15 of this report for further discussion of our goodwill. Also, see Item 1A. "Risk Factors" for information about the risks related to the Hughes Acquisition.

EchoStar Satellite Services Segment

Our EchoStar Satellite Services segment operates its business using ten of its owned and leased in-orbit satellites, including EchoStar XVI launched in November 2012. We lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, United States government service providers, state agencies, Internet service providers, broadcast news organizations, programmers and private enterprise customers. We continue to pursue expanding our business offerings by providing value added services such as telemetry, tracking and control services to third parties. However, there can be no assurance that we will be able to effectively compete against our competitors due to their significant resources and operating history.

We depend on DISH Network for a significant portion of the revenue for our EchoStar Satellite Services segment and we expect that DISH Network will continue to be the primary source of revenue for our EchoStar Satellite Services segment. Therefore, our results of operations are and will be closely linked to the performance of DISH Network's pay-TV service as well as changes in DISH Network's satellite capacity requirements. In November

2012, we launched EchoStar XVI, which is fully leased to DISH Network beginning in the first quarter of 2013, for the delivery of direct-to-home ("DTH") broadcast services to DISH Network customers in the United States. Any termination or reduction in the services we provide to DISH Network would increase excess capacity on our satellites and require that we aggressively pursue alternative sources of revenue for this segment. As of December 31, 2012 and 2011, our EchoStar Satellite Services segment had contracted revenue backlog attributable to satellites currently in orbit of approximately $1.440 billion and $1.285 billion, respectively, and contracted backlog attributable to satellites under construction of zero and $621 million, respectively. Of the $1.440 billion of contracted backlog as of December 31, 2012, we expect to recognize approximately $251 million of revenue in 2013.

While we also expect to provide services to other customers, the number of potential new customers for our EchoStar Satellite Services segment is small and may be limited as prospective customers that have been competitors of DISH Network may continue to view us as a competitor due to our common ownership with DISH Network.

Our ability to expand revenues in the EchoStar Satellite Services segment will likely require that we displace incumbent suppliers that generally have well established business models and often benefit from long-term contracts with their customers. As a result, to grow our EchoStar Satellite Services segment we may need to develop or otherwise acquire access to new satellite-delivered services so that we may offer differentiated services to prospective customers. However, there can be no assurance that we would be able to develop or otherwise acquire access to such differentiated services or develop the sales and marketing expertise necessary to sell such services profitably.

In addition, 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, which may require us to seek additional financing. However, there can be no assurance that such financing will be available to fund any such replacement alternatives on terms that would be attractive to us or at all.

New Business Opportunities

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

Adverse Economic Conditions

Our ability to grow or maintain our business may be adversely affected by weak global and domestic economic conditions, including wavering consumer confidence and constraints on discretionary purchasing, unemployment, tight credit markets, declines in global and domestic stock markets, falling home prices and other factors that may adversely affect the markets in which we operate. Our ability to increase our income or to generate additional revenues will depend in part on our ability to organically grow our businesses, identify and successfully exploit opportunities to acquire other businesses or technologies, and enter into strategic partnerships. These activities may require significant additional capital that may not be available on terms that would be attractive to us or at all. In particular, volatile credit markets, which have significantly impacted the availability and cost of financing, specifically in the leveraged finance markets, may significantly constrain our ability to obtain financing to support our growth initiatives. These developments in the credit markets may increase our cost of financing and impair our liquidity position. In addition, these developments may cause us to defer or abandon business strategies and transactions that we would otherwise pursue if financing were available on acceptable terms.

If unfavorable events in the economy cause consumer demand for our products and services to decline materially as consumers may delay purchasing decisions or reduce or reallocate their discretionary spending, such decline would have an adverse effect on our Hughes segment, in particular.

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Services and other revenue. "Services and other revenue" primarily includes the sales of enterprise and consumer broadband services, as well as maintenance and other contracted services. "Services and other revenue" also includes revenue associated with satellite and transponder leasing, 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 leasing, satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, professional services, facilities rental revenue, and other services provided to DISH Network. Beginning in October 2012, "Services and other revenue — DISH Network" also include subscriber wholesale service fee for the Hughes service sold to dishNET.

Equipment revenue. "Equipment revenue" primarily includes the sales of broadband equipment and networks 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 customers, 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 leasing, satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, professional services, facilities rental revenue, and other services provided to our customers, including DISH Network.

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

Research and development expenses. "Research and development expenses" primarily includes costs associated with the design and development of products to support future growth by reducing costs and providing new technology and innovations to our customers.

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

Impairment of assets. "Impairment of assets" includes impairment of certain of our intangible assets.

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

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

Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA is defined as "Net income (loss) attributable to HSS" plus "Interest expense, net of amounts capitalized" net of "Interest income," "Income taxes benefit (provision), net" and "Depreciation and amortization." EBITDA is not a measure determined in accordance with the United States generally accepted accounting principles ("GAAP"). This "non-GAAP measure" is reconciled to "Net income (loss) attributable to HSS" in our discussion of "Results of Operations" below. EBITDA should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures. EBITDA should not be considered in isolation or

as a substitute for measures of performance prepared 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 liquidity and the underlying operating performance of our business. Management also believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors, and other interested parties to evaluate companies in our industry.

Subscribers. Subscribers include customers that subscribe to our Hughes segment's small/medium enterprise service, HughesNet and dishNET services, and other reseller arrangements.

RESULTS OF OPERATIONS

Basis of Presentation

The following narrative analysis of our consolidated results of operations is presented on a historical basis. Our results of operations for the year ended December 31, 2011 also include those of Hughes Communications after June 8, 2011, the date the Hughes Acquisition was completed. Therefore, our results of operations for the year ended December 31, 2012 are not comparable to our results of operations for the years ended December 31, 2011 and 2010.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Statement of Operations Data	As of or For the Years Ended December 31, 2012	2011	Variance Amount	%
	(Dollars in thousands)			
Revenue:				
Services and other revenue	$ 941,804	$ 574,590	$ 367,214	63.9
Services and other revenue - DISH Network	211,560	216,100	(4,540)	(2.1)
Equipment revenue	255,636	161,313	94,323	58.5
Equipment revenue - DISH Network	23,757	600	23,157	*
Total revenue	1,432,757	952,603	480,154	50.4
Costs and Expenses:				
Cost of sales - services and other	480,040	305,652	174,388	57.1
% of Total services and other revenue	**41.6%**	**38.7%**		
Cost of sales - equipment	232,690	128,491	104,199	81.1
% of Total equipment revenue	**83.3%**	**79.4%**		
Selling, general and administrative expenses (including DISH Network)	222,986	148,386	74,600	50.3
% of Total revenue	**15.6%**	**15.6%**		
Research and development expenses	21,264	11,668	9,596	82.2
% of Total revenue	**1.5%**	**1.2%**		
Depreciation and amortization	352,367	266,051	86,316	32.4
Impairment of assets	22,000	—	22,000	*
Total costs and expenses	1,331,347	860,248	471,099	54.8
Operating income	101,410	92,355	9,055	9.8
Other Income (Expense):				
Interest income	2,212	3,759	(1,547)	(41.2)
Interest expense, net of amounts capitalized	(153,955)	(88,343)	(65,612)	74.3
Hughes Acquisition costs	—	(35,300)	35,300	(100.0)
Equity in earnings of unconsolidated affiliate	2,540	2,196	344	15.7
Other, net	24,672	7,593	17,079	*
Total other expense	(124,531)	(110,095)	(14,436)	13.1
Loss before income taxes	(23,121)	(17,740)	(5,381)	30.3
Income tax benefit	10,895	3,972	6,923	*
Effective tax rate	**47.1%**	**22.4%**		
Net loss	(12,226)	(13,768)	1,542	(11.2)
Less: Net income (loss) attributable to noncontrolling interests	(35)	635	(670)	*
Net loss attributable to HSS	$ (12,191)	$ (14,403)	$ 2,212	(15.4)
Other Data:				
EBITDA	$ 481,024	$ 332,260	$ 148,764	44.8
Subscriber	659,000	626,000	33,000	5.3

* Percentage is not meaningful.

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Services and other revenue. "Services and other revenue," including "Services and other revenue — DISH Network," totaled $1.153 billion for the year ended December 31, 2012, an increase of $363 million or 45.9% compared to the same period in 2011. The increase was primarily related to higher services revenue of $364 million generated by our Hughes segment from the sale of broadband services to customers in our enterprise and consumer markets, and customers' maintenance and other contracted services.

Equipment revenue. "Equipment revenue" totaled $256 million for the year ended December 31, 2012, an increase of $94 million or 58.5% compared to the same period in 2011. The increase was attributable to higher equipment revenue of $95 million generated by our Hughes segment from the sale of broadband equipment and networks to customers in our enterprise and consumer markets.

Equipment revenue — DISH Network. "Equipment revenue — DISH Network" totaled $24 million for the year ended December 31, 2012, an increase of $23 million compared to the same period in 2011. The increase was primarily attributable to the sales of broadband equipment related to the Hughes service.

Cost of sales — services and other. "Cost of sales — services and other" totaled $480 million for the year ended December 31, 2012, an increase of $174 million or 57.1% compared to the same period in 2011. The increase was attributable to higher cost of sales of $184 million incurred by our Hughes segment as a result of higher sales of broadband services to customers in our enterprise and consumer markets, and customers' maintenance and other contracted services. The increase was partially offset by lower cost of sales of $13 million relating to the termination of our satellite lease contract on EchoStar I with DISH Network effective July 2012. "Cost of sales — services and other" represented 41.6% and 38.7% of total services and other revenue for the years ended December 31, 2012 and 2011, respectively. The increase in the expense to revenue ratio principally resulted from an increase in revenue and expenses from our Hughes segment.

Cost of sales — equipment. "Cost of sales — equipment" totaled $233 million for the year ended December 31, 2012, an increase of $104 million or 81.1% compared to the same period in 2011. The increase corresponded to higher equipment costs incurred due to an increase in sales from our Hughes segment of broadband equipment and networks sold to DISH Network and customers in our enterprise and consumer markets. "Cost of sales — equipment" represented 83.3% and 79.4% of total equipment revenue for the years ended December 31, 2012 and 2011, respectively. The increase in the expense to revenue ratio principally resulted from an increase in revenue and expenses from our Hughes segment.

Selling, general and administrative expenses. "Selling, general and administrative expenses" totaled $223 million for the year ended December 31, 2012, an increase of $75 million or 50.3% compared to the same period in 2011. The increase primarily related to higher marketing and advertising expenses and other general and administrative expenses of $72 million incurred by our Hughes segment.

Depreciation and amortization. "Depreciation and amortization" expense totaled $352 million for the year ended December 31, 2012, an increase of $86 million or 32.4% compared to the same period in 2011. The increase was primarily related to higher amortization and depreciation expense of $67 million from our Hughes segment.

Impairment of assets. "Impairment of assets" of $22 million for the year ended December 31, 2012 resulted from impairment of certain contract rights associated with the Hughes Acquisition that were determined to have a lower probability of being realized than was assumed in prior estimates. See Note 8 in the Notes to our Consolidated Financial Statements in Item 15 of this report for further discussion.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled $154 million for the year ended December 31, 2012, an increase of $66 million or 74.3% compared to the same period in 2011. The increase primarily related to higher interest expense of: (i) $58 million incurred on the Notes and (ii) $11 million incurred on our capital lease obligations.

Earnings before interest, taxes, depreciation and amortization. "EBITDA" was $481 million for the year ended December 31, 2012, an increase of $149 million or 44.8% compared to the same period in 2011. The increase was primarily due to higher services and equipment revenues recognized in 2012. The increase in EBITDA was partially offset by (i) higher costs of services and equipment incurred corresponding with the increase in our services and equipment revenue and (ii) an increase in selling, general and administrative expenses incurred in 2012. The following table reconciles EBITDA to the accompanying consolidated financial statements.

	For the Years Ended December 31, 2012	2011	Variance Amount	%
	(In thousands)			
EBITDA	$ 481,024	$ 332,260	$ 148,764	44.8
Interest expense, net	(151,743)	(84,584)	(67,159)	79.4
Income tax benefit	10,895	3,972	6,923	*
Depreciation and amortization	(352,367)	(266,051)	(86,316)	32.4
Net loss attributable to HSS	$ (12,191)	$ (14,403)	$ 2,212	(15.4)

* Percentage is not meaningful.

Income tax benefit, net. Our income tax benefit totaled approximately $11 million for the year ended December 31, 2012 compared to $4 million for the same period in 2011. Our effective income tax rate was 47.1% for the year ended December 31, 2012 versus 22.4% for the same period in 2011. Our effective tax rate for the year ended December 31, 2012 was impacted by the changes in our valuation allowance for deferred taxes that are capital in nature.

Net loss attributable to HSS. Our net loss attributable to HSS was $12 million for the year ended December 31, 2012, a decrease of $2 million or 15.4% compared to the same period in 2011. The decrease was primarily attributable to (i) a $9 million increase in operating income; (ii) a $13 million gain on the sale of a strategic investment; (iii) a $7 million increase in tax benefit; and (iv) a non-recurring transactional costs associated with the Hughes Acquisition in 2011. The decrease in net loss attributable to HSS was partially offset by an increase of $66 million in "Interest expense, net of amounts capitalized."

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, 2012, our cash, cash equivalents and current marketable investment securities had a fair value of $179 million. All of that amount was invested in: (a) cash; (b) variable rate demand notes convertible into cash at par value plus accrued interest generally in five business days or less; (c) debt instruments of the U.S. government and its agencies; (d) 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; and/or (e) 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 is 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 investment securities portfolio; however, we normally hold these investments to maturity. Based on our current non-strategic investment portfolio of $179 million as of December 31, 2012, a hypothetical 10%

change in average interest rates during 2012 would not have a material impact on their fair value due to the limited duration of our investments.

Our cash, cash equivalents and current marketable investment securities had an average annual rate of return for the year ended December 31, 2012 of 0.8%. 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 2012 would have an insignificant impact to our annual interest income.

Other Investment Securities

As of December 31, 2012, we had $29 million of noncurrent nonpublic equity instruments that we hold for strategic business purposes and account for under the cost or equity methods of accounting. A hypothetical 10% adverse change in the value of these equity instruments would result in a decrease of approximately $3 million in the fair value of these investments.

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.

Foreign Currency Risk

We generally conduct our business in United States dollars. Our international business is conducted in a variety of foreign currencies, and it is, therefore, exposed to fluctuations in foreign currency exchange rates. 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 exchange contracts to mitigate risks associated with foreign currency denominated assets, liabilities, commitments, and anticipated foreign currency transactions. As of December 31, 2012, we had $45 million of foreign currency denominated receivables and payables outstanding, and foreign currency forward contracts with a notional value of $28 million in place to partially mitigate foreign currency risk related to forecasted collections on a Mexican peso denominated revenue contract. The differences between the face amounts of the foreign exchange contracts and their estimated fair values were not material as of December 31, 2012. The impact of a hypothetical 10% adverse change in exchange rates on the fair value of foreign currency denominated net assets and liabilities of our foreign subsidiaries would be an estimated loss of $7 million as of December 31, 2012.

Derivative Financial Instruments

In general we do not use derivative financial instruments for hedge accounting or speculative purposes. However, as of December 31, 2012, we had foreign currency forward contracts with notional value of $28 million in place to partially mitigate foreign exchange risk, primarily in connection with a contract in Mexico. 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-3.

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

None.

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) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

On June 8, 2011, EchoStar completed the acquisition of Hughes Communications, Inc. and its subsidiaries. As the Company grows and changes, we continue to integrate accounting and operating systems, as well as policies, processes, people, technology and operations for the Company. In 2012, EchoStar began performing a number of the corporate functions for itself and its subsidiaries, including us that were formerly performed on our behalf by DISH Network Corporation and its subsidiaries ("DISH Network"), pursuant to the management services agreement and the professional services agreement between EchoStar and DISH Network. Our management continues to evaluate our internal controls over financial reporting as we continue to implement and integrate our own systems and business functions. Except as discussed above, there has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 U.S. generally accepted accounting principles.

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 generally accepted accounting principles, 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 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, 2012.

Item 9B. OTHER INFORMATION

None.

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PART III

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Appointment of Independent Registered Public Accounting Firm

Appointment of Independent Registered Public Accounting Firm for 2013. KPMG LLP served as our independent registered public accounting firm for the fiscal year ended December 31, 2012. EchoStar's Board of Directors, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the Board of Directors believes that a change would be in our best interests.

Fees Paid to KPMG LLP

The following table presents fees for professional services rendered by KPMG LLP on behalf of the Company for the years ended December 31, 2012 and 2011.

	For the Years Ended December 31, 2012	2011
Audit fees (1)	$ 1,628,205	$ 1,216,770
Audit-related fees (2)	119,076	785,682
Total audit and audited related fees	1,747,281	2,002,452
Tax fees	13,404	—
Total fees	$ 1,760,685	$ 2,002,452

(1) Consisted of fees paid by us for the audit of our consolidated financial statements for the years ended December 31, 2012 and 2011 and for other services provided to us during 2012 and 2011, including the review of our quarterly consolidated financial statements and statutory audits of our foreign subsidiaries.

(2) Consisted of fees for audit of financial statements of certain services that are normally provided by the accountant in connection with registration statement filings, issuance of consents and professional consultations with respect to accounting issues.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Our Board of Directors has delegated to EchoStar's Audit Committee the responsibility for appointing, setting compensation, retaining, and overseeing the work of our independent registered public accounting firm. EchoStar's Audit Committee has established a process regarding pre-approval of all audit and permissible non-audit services provided by the independent registered public accounting firm.

Requests are submitted to EchoStar's Audit Committee in one of the following ways:

- Request for approval of services at a meeting of EchoStar's Audit Committee; or
- Request for approval of services by members of EchoStar's Audit Committee acting by written consent.

The request may be made with respect to either specific services or a type of service for predictable or recurring services. Fees paid by the Company to KPMG LLP for services rendered in 2012 were pre-approved by EchoStar's Audit Committee.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) Consolidated Financial Statements

(2) Financial Statements Schedules

(3) *Exhibits*

Exhibit No.	Description
2.1*	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 from Exhibit 2.1 to the Current Report on Form 8-K of Hughes Communications, Inc. filed February 15, 2011, Commission File No. 1-33040).****
3.1(a)*	Articles of Incorporation of EH Holding Corporation (currently known as Hughes Satellite Systems Corporation), dated as of March 16, 2011 (incorporated by reference to Exhibit 3.1(a) to the Company's Registration Statement on Form S-4, Registration No. 333-179121).
3.1(b)*	Articles of Amendment of EH Holding Corporation (currently known as Hughes Satellite Systems Corporation), dated as of October 26, 2011 (incorporated by reference to Exhibit 3.1(b) to the Company's Registration Statement on Form S-4, Registration No. 333-179121).
3.2*	Bylaws of EH Holding Corporation (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4, Registration No. 333-179121).
4.1*	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).
4.2*	Indenture relating to the EH Holding Corporation (currently known as Hughes Satellite Systems Corporation) 7 5/8% Senior 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

Exhibit No.	Description
	No. 001-33807).
4.3*	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).
4.4*	Supplemental Indenture relating to the 7 5/8% Senior 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).
4.5*	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).
4.6*	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).
4.7*	Form of Note for 6 1/2% Senior Secured Notes due 2019 (included as part of Exhibit 4.1).
4.8*	Form of Note for 7 5/8% Senior Notes due 2021 (included as part of Exhibit 4.2).
10.1*	Form of Tax Sharing Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to Amendment No. 3 of EchoStar Corporation's Form 10 dated December 28, 2007, Commission File No. 001-33807).
10.2*	Form of Employee Matters Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference to Exhibit 10.3 to Amendment No. 3 of EchoStar Corporation's Form 10 dated December 28, 2007, Commission File No. 001-33807).**
10.3*	Form of Intellectual Property Matters Agreement between EchoStar Corporation, EchoStar Acquisition L.L.C., Echosphere L.L.C., DISH DBS Corporation, EIC Spain SL, EchoStar Technologies L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.4 to Amendment No. 3 of EchoStar Corporation's Form 10 dated December 28, 2007, Commission File No. 001-33807).
10.4*	Form of Management Services Agreement between EchoStar Corporation and DISH Network Corporation (incorporated by reference to Exhibit 10.5 to Amendment No. 3 of EchoStar Corporation's Form 10 dated December 28, 2007, Commission File No. 001-33807).
10.5*	Satellite Service Agreement, dated as of March 21, 2003, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2003, Commission File No.0-26176).***

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Exhibit No.	Description
10.6*	Amendment No. 1 to Satellite Service Agreement dated March 31, 2003 between SES Americom Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2003, Commission File No. 0-26176). ***
10.7*	Satellite Service Agreement dated as of August 13, 2003 between SES Americom Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended September 30, 2003, Commission File No. 0-26176). ***
10.8*	Satellite Service Agreement, dated February 19, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176).***
10.9*	Amendment No. 1 to Satellite Service Agreement, dated March 10, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176).***
10.10*	Amendment No. 3 to Satellite Service Agreement, dated February 19, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended March 31, 2004, Commission File No. 0-26176).***
10.11*	Amendment No. 2 to Satellite Service Agreement, dated April 30, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2004, Commission File No. 0-26176).***
10.12*	Amendment No. 4 to Satellite Service Agreement, dated October 21, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.23 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176).***
10.13*	Amendment No. 3 to Satellite Service Agreement, dated November 19, 2004 between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K of DISH Network

	Corporation for the year ended December 1, 2004, Commission File No. 0-26176).***
10.14*	Amendment No. 5 to Satellite Service Agreement, dated November 19, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176).***
10.15*	Amendment No. 6 to Satellite Service Agreement, dated December 20, 2004, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.26 to the Annual Report on Form 10-K of DISH Network Corporation for the year ended December 31, 2004, Commission File No. 0-26176).***
10.16*	Amendment No. 4 to Satellite Service Agreement, dated April 6, 2005, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2005, Commission File No. 0-26176).***

Exhibit No.	Description
10.17*	Amendment No. 5 to Satellite Service Agreement, dated June 20, 2005, between SES Americom, Inc., DISH Network L.L.C. and DISH Network Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of DISH Network Corporation for the quarter ended June 30, 2005, Commission File No. 0-26176).***
10.18*	Form of EchoStar Corporation 2008 Class B CEO Stock Option Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 3 of EchoStar Corporation's Form 10 dated December 28, 2007, Commission File No. 001-33807).**
10.19*	Form of Satellite Capacity Agreement between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference from Exhibit 10.28 to Amendment No. 2 to Form 10 of EchoStar Corporation filed on December 26, 2007, Commission File No. 001-33807).
10.20*	QuetzSat-1 Satellite Service Agreement, dated November 24, 2008, between SES Latin America S.A. and EchoStar 77 Corporation, a direct wholly-owned subsidiary of EchoStar Corporation (incorporated by reference to Exhibit 10.24 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.21*	QuetzSat-1 Transponder Service Agreement, dated November 24, 2008, between EchoStar 77 Corporation, a direct wholly-owned subsidiary of EchoStar Corporation, and DISH Network L.L.C. (incorporated by reference to Exhibit 10.25 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.22*	Amended and Restated EchoStar Corporation 2008 Employee Stock Purchase Plan (incorporated by reference to EchoStar Corporation's Definitive Proxy Statement on Form 14 filed March 31, 2009, Commission File No. 001-33807).**
10.23*	Amended and Restated EchoStar Corporation 2008 Stock Incentive Plan (incorporated by reference to EchoStar Corporation's Definitive Proxy Statement on Form 14 filed March 31, 2009, Commission File No. 001-33807).**
10.24*	Amended and Restated EchoStar Corporation 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).
10.25*	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 the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.26*	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 the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).***
10.27*	Professional Services Agreement, dated August 4, 2009, between EchoStar and DISH Network Corporation (incorporated by reference from Exhibit 10.3 to the Quarterly Report on Form 10-Q of EchoStar Corporation for the quarter ended September 30, 2009, Commission File No. 001-33807).***
10.28*	Amendment to form of Satellite Capacity Agreement (Form A) between EchoStar Corporation and DISH Network L.L.C. (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31,

Exhibit No.	Description
	2009, Commission File No. 001-33807).
10.29*	Amendment to Form of Satellite Capacity Agreement (Form B) between EchoStar Satellite Services L.L.C. and DISH Network L.L.C. (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).
10.30*	EchoStar XVI Satellite Transponder Service Agreement between EchoStar Satellite Operating Corporation and DISH Network L.L.C. (incorporated by reference to Exhibit 10.36 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December

	31, 2009, Commission File No. 001-33807).***
10.31*	Assignment of Rights Under Launch Service Contract from EchoStar Corporation to DISH Orbital II L.L.C. (incorporated by reference to Exhibit 10.37 to the Annual Report on Form 10-K of EchoStar Corporation for the year ended December 31, 2009, Commission File No. 001-33807).
10.32*	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Hughes Communications, Inc. filed June 22, 2006 (File No. 000-51784)).
10.33*	Contract between Hughes Network Systems, LLC and Space Systems/Loral, Inc. for the Hughes Jupiter Satellite Program dated June 8, 2009 (incorporated by reference to Exhibit 10.1 to the quarterly report on Form 10-Q of Hughes Communications, Inc. filed August 7, 2009 (File No. 001-33040)).***
10. 34*	Launch Services Agreement by and between Hughes Network Systems, LLC and Arianespace dated April 30, 2010 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Hughes Network Systems, LLC filed August 4, 2010 (File No. 333-138009)).***
10.35*	Employment Agreement, dated as of April 23, 2005 by and between Hughes Network Systems, LLC and Pradman Kaul (incorporated by reference to Exhibit 10.3 to the Registration Statement on Form S-1 of Hughes Communications, Inc. filed December 5, 2005 (File No. 333-130136)).**
10.36*	Amendment to Employment Agreement, dated as of December 23, 2010 by and between Hughes Communications, Inc. and Pradman Kaul (incorporated by reference to Exhibit 10.29 to the Annual Report on Form 10-K of Hughes Communications, Inc. filed March 3, 2011 (File No. 001-33040)).**
10.37(H)	First Amendment to EchoStar XVI Satellite Transponder Service Agreement, dated December 21, 2012 between EchoStar Satellite Operating Corporation and DISH Network L.L.C.***
31.1 (H)	Section 302 Certification of Chief Executive Officer.
31.2 (H)	Section 302 Certification of Chief Financial Officer.
32.1 (H)	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.
101*****	The following materials from the Annual Report on Form 10-K of Hughes Satellite Systems Corporation for the year ended December 31, 2012, filed on February 20, 2013, formatted in eXtensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statement of Changes in Shareholder' Equity, (iv) Consolidated Statements of

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Exhibit No.	Description
	Cash Flows, and (v) related notes to these financial statements.

(H) Filed 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.
***** In accordance with Rule 402 of Regulation S-T, the information in this Exhibit 101 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 subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by the specific reference in such filing.

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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.

HUGHES SATELLITE SYSTEMS CORPORATION

By: /s/ *David J. Rayner*

David J. Rayner
Executive Vice President and Chief Financial Officer

Date: February 20, 2013

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.

Signature	Title	Date
/s/ *Michael T. Dugan* Michael T. Dugan	Chief Executive Officer, President and Director *(Principal Executive Officer)*	February 20, 2013
/s/ *David J. Rayner* David J. Rayner	Executive Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*	February 20, 2013
/s/ *Charles W. Ergen* Charles W. Ergen	Chairman and Director	February 20, 2013
/s/ *Dean A. Manson* Dean A. Manson	Executive Vice President, General Counsel, Secretary and Director	February 20, 2013

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholder
Hughes Satellite Systems Corporation:

We have audited the accompanying consolidated balance sheets of Hughes Satellite Systems Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholder’s equity, and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule II listed in Item 15. These consolidated financial statements and the financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hughes Satellite Systems Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

McLean, Virginia
February 20, 2013

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HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share amounts)

	As of December 31, 2012	As of December 31, 2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 136,219	$ 125,003
Marketable investment securities	42,422	261,082
Trade accounts receivable, net of allowance for doubtful accounts of $14,918 and $16,769, respectively	186,848	171,917
Trade accounts receivable - DISH Network, net of allowance for doubtful accounts of zero	36,340	33,128
Advances to affiliates, net	1,999	4,217
Inventory	59,675	47,558
Deferred tax assets	23,451	21,222
Other current assets	37,689	52,917
Total current assets	524,643	717,044
Noncurrent Assets:		
Restricted cash and cash equivalents	28,066	23,540
Property and equipment, net of accumulated depreciation of $1,566,776 and $1,281,930, respectively	2,158,891	2,021,905
Regulatory authorizations	562,712	465,658
Goodwill	504,173	516,198
Other intangible assets, net	274,914	341,207
Other investment securities	29,133	22,466
Other noncurrent assets, net	134,005	140,819
Total noncurrent assets	3,691,894	3,531,793
Total assets	$ 4,216,537	$ 4,248,837
Liabilities and Shareholder's Equity		
Current Liabilities:		
Trade accounts payable	$ 128,456	$ 141,933
Trade accounts payable - DISH Network	6,322	10,100
Current portion of long-term debt and capital lease obligations	64,418	63,411
Advances from affiliates, net	64,890	—
Deferred revenue and other	44,585	50,568
Accrued expenses and other	101,422	124,991
Total current liabilities	410,093	391,003
Noncurrent Liabilities:		
Long-term debt and capital lease obligations, net of current portion	2,420,245	2,464,044
Deferred tax liabilities	266,433	290,287
Advances from affiliates	8,424	—
Long-term deferred revenue and other long-term liabilities	51,431	26,773
Total noncurrent liabilities	2,746,533	2,781,104
Total liabilities	3,156,626	3,172,107
Commitments and Contingencies (Note 13)		
Shareholder's Equity		
Common stock, $0.01 par value; 1,000,000 shares authorized, 1,000 shares issued and outstanding	—	—
Additional paid-in capital	1,100,276	1,099,506
Accumulated other comprehensive loss	(13,539)	(7,914)
Accumulated deficit	(36,163)	(23,972)
Total HSS shareholder's equity	1,050,574	1,067,620
Noncontrolling interests	9,337	9,110
Total shareholder's equity	1,059,911	1,076,730
Total liabilities and shareholder's equity	$ 4,216,537	$ 4,248,837

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

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HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands)

	For the Years Ended December 31, 2012	2011	2010
Revenue:			
Services and other revenue	$ 941,804	$ 574,590	$ 52,643
Services and other revenue - DISH Network	211,560	216,100	208,364
Equipment revenue	255,636	161,313	1,172
Equipment revenue - DISH Network	23,757	600	—
Total revenue	1,432,757	952,603	262,179
Costs and Expenses:			
Cost of sales - services and other	480,040	305,652	64,593

Cost of sales - equipment	232,690	128,491	876
Selling, general and administrative expenses (including DISH Network)	222,986	148,386	12,072
Research and development expenses	21,264	11,668	—
Depreciation and amortization	352,367	266,051	95,069
Impairment of assets	22,000	—	—
Total costs and expenses	1,331,347	860,248	172,610
Operating income	101,410	92,355	89,569
Other Income (Expense):			
Interest income	2,212	3,759	26
Interest expense, net of amounts capitalized	(153,955)	(88,343)	(23,640)
Hughes Acquisition costs	—	(35,300)	—
Equity in earnings of unconsolidated affiliate	2,540	2,196	196
Other, net	24,672	7,593	1,093
Total other expense, net	(124,531)	(110,095)	(22,325)
Income (loss) before income taxes	(23,121)	(17,740)	67,244
Income tax benefit (provision), net	10,895	3,972	(24,812)
Net income (loss)	(12,226)	(13,768)	42,432
Less: Net income (loss) attributable to noncontrolling interests	(35)	635	—
Net income (loss) attributable to HSS	$ (12,191)	$ (14,403)	$ 42,432
Comprehensive Income (Loss):			
Net income (loss)	$ (12,226)	$ (13,768)	$ 42,432
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(3,278)	(11,340)	—
Unrealized holding gains on available-for-sale securities and other	10,936	2,222	—
Recognition of previously unrealized gains on available-for-sale securities included in net loss	(13,189)	—	—
Total other comprehensive loss, net of tax	(5,531)	(9,118)	—
Comprehensive income (loss)	(17,757)	(22,886)	42,432
Less: Comprehensive income (loss) attributable to noncontrolling interests	59	(569)	—
Comprehensive income (loss) attributable to HSS	$ (17,816)	$ (22,317)	$ 42,432

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

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HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(In thousands)

	HSS Shareholder's Equity (Note 2)					
	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Owner's Net Investment	Noncontrolling Interests	Total
Balance, January 1, 2010	$ —	$ —	$ —	$ 437,580	$ —	$ 437,580
Contributions from owner	—	—	—	274	—	274
Non-cash, stock-based compensation	—	—	—	349	—	349
Other	—	—	—	(2)	—	(2)
Net income	—	—	—	42,432	—	42,432
Balance, December 31, 2010	—	—	—	480,633	—	480,633
Owner's net investment reclass upon formation of HSS	490,202	—	—	(490,202)	—	—
Contributions from owner	608,852	—	—	—	—	608,852
Non-cash, stock-based compensation	485	—	—	—	—	485
Other	(33)	—	—	—	—	(33)
Acquisition of Hughes Communications	—	—	—	—	9,679	9,679
Comprehensive income (loss):						
Net income (loss)	—	—	(23,972)	9,569	635	(13,768)
Foreign currency translation adjustment	—	(10,136)	—	—	(1,204)	(11,340)
Unrealized holding gains on available-for-sale of securities, net	—	2,222	—	—	—	2,222
Balance, December 31, 2011	1,099,506	(7,914)	(23,972)	—	9,110	1,076,730
Non-cash, stock-based compensation	770	—	—	—	—	770
Other	—	—	—	—	168	168
Comprehensive income (loss):						
Net loss	—	—	(12,191)	—	(35)	(12,226)
Foreign currency translation adjustment	—	(3,372)	—	—	94	(3,278)
Unrealized holding losses on available-for-sale of securities, net and other	—	(2,253)	—	—	—	(2,253)
Balance, December 31, 2012	$ 1,100,276	$ (13,539)	$ (36,163)	$ —	$ 9,337	$ 1,059,911

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

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HUGHES SATELLITE SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Years Ended December 31,		
	2012	2011	2010
Cash Flows From Operating Activities:			
Net income (loss)	$ (12,226)	$ (13,768)	$ 42,432
Adjustments to reconcile net income (loss) to net cash flows from operating activities:			
Depreciation and amortization	352,367	266,051	95,069
Equity in earnings of unconsolidated affiliate	(2,540)	(2,196)	(196)
Amortization of debt issuance costs	5,010	2,768	—
Realized gains on marketable investment securities and other investments	(13,173)	—	—
Impairment of assets	22,000	—	—
Non-cash, stock-based compensation	770	485	349
Deferred tax (benefit) provision	(15,369)	(9,596)	24,812
Other, net	(10,876)	(4,353)	(978)
Change in noncurrent assets and noncurrent liabilities, net	(8,640)	(1,844)	2,437
Changes in current assets and current liabilities:			
Trade accounts receivable	(12,656)	(17,930)	(3,635)
Allowance for doubtful accounts	(1,850)	12,044	2,482
Trade accounts receivable - DISH Network	(3,212)	(673)	(5,498)
Inventory	(12,585)	9,984	—
Other current assets	16,350	(10,750)	333
Trade accounts payable	21,125	18,102	1,096
Trade accounts payable - DISH Network	(3,778)	(2,592)	8,703
Accrued expenses and other	(28,136)	(16,903)	121
Net cash flows from operating activities	292,581	228,829	167,527
Cash Flows From Investing Activities:			
Purchases of marketable investment securities	(92,727)	(304,863)	—
Sales of marketable investment securities	317,431	510,291	—
Purchases of property and equipment	(411,220)	(275,772)	(120,450)
Acquisition of regulatory authorizations	(98,477)	—	—
Acquisition of Hughes Communications, net of cash acquired of $98,900	—	(2,075,713)	—
Change in restricted cash and cash equivalents	(4,526)	(1,729)	787
Other, net	(12,772)	(5,286)	(528)
Net cash flows from investing activities	(302,291)	(2,153,072)	(120,191)
Cash Flows From Financing Activities:			
Repayment of long-term debt and capital lease obligations	(56,525)	(58,079)	(46,849)
Debt issuance costs	(229)	(57,825)	—
Proceeds from issuance of long-term debt	1,641	2,000,000	—
Contributions from parent	—	166,379	274
Advances from affiliates	72,538	—	—
Other	(764)	292	(655)
Net cash flows from financing activities	16,661	2,050,767	(47,230)
Effect of exchange rates on cash and cash equivalents	4,265	(1,627)	—
Net increase in cash and cash equivalents	11,216	124,897	106
Cash and cash equivalents, beginning of period	125,003	106	—
Cash and cash equivalents, end of the period	$ 136,219	$ 125,003	$ 106
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest (including capitalized interest)	$ 192,534	$ 118,476	$ 41,627
Capitalized interest	$ 45,058	$ 38,359	$ 17,996
Cash received for interest	$ 6,940	$ 3,787	$ 26
Cash paid to EchoStar for income taxes	$ 1,007	$ 270	$ 207
Cash paid for income taxes	$ 8,198	$ 3,968	$ —
Satellites and other assets financed under capital lease obligations	$ 24,355	$ 196,977	$ 55,873
In-orbit incentive obiligation for EchoStar XVII	$ 24,950	$ —	$ —
Reduction of capital lease obligations and associated asset value	$ —	$ 20,214	$ 39,442
Reduction of capital lease obligations for AMC-16	$ 12,599	$ 6,616	$ —
Marketable investment securities included in capital contributions	$ —	$ 442,473	$ —
Capital expenditures included in accounts payable	$ 13,325	$ 11,775	$ 7,272

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

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Note 1. Organization and Business Activities

Principal Business

Hughes Satellite Systems Corporation (together with its subsidiaries, "HSS," the "Company," "we," "us" and/or "our"), is a holding company and a direct, wholly-owned subsidiary of EchoStar Corporation ("EchoStar"). We are a global provider of satellite operations, video delivery solutions, and broadband satellite technologies and services for home and office, delivering innovative network technologies, managed services, and solutions for enterprises and governments. We were formed as a Colorado corporation in March 2011 to facilitate the acquisition (the "Hughes Acquisition") of Hughes Communications, Inc. and its subsidiaries ("Hughes Communications") and related financing transactions. In connection with our formation, EchoStar contributed the assets and liabilities of its satellite services business, including its principal operating subsidiary of its satellite services business, EchoStar Satellite Services L.L.C., to us. See Note 12 for further discussion on the Hughes Acquisition. Our historical financial statements, prior to June 9, 2011, only reflect the historical consolidated financial position and operating results of EchoStar's satellite services business and our historical financial statements on and after June 9, 2011 give effect to the Hughes Acquisition. We currently operate two business segments:

- ***Hughes*** — which provides satellite broadband Internet access to North American consumers and broadband network services and systems to the domestic and international enterprise markets. Our Hughes segment also provides managed services to large enterprises and networking systems solutions to customers for mobile satellite and wireless backhaul systems. Hughes became a new segment as a result of the Hughes Acquisition See Note 12 for further discussion of the Hughes Acquisition.

- ***EchoStar Satellite Services*** — which uses certain of our owned and leased in-orbit satellites and related licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, S. de R.L. de C.V. ("Dish Mexico"), a joint venture we entered into in 2008, United States government service providers, state agencies, Internet service providers, broadcast news organizations, programmers, and private enterprise customers.

Effective January 1, 2008, DISH Network completed its distribution to EchoStar (the "Spin-off") of its digital set-top box business and certain infrastructure and other assets, including certain of its satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities. Since the Spin-off, EchoStar and DISH Network have operated as separate publicly-traded companies, and neither entity has any ownership interest in the other. However, a substantial majority of the voting power of the shares of both companies is owned beneficially by Charles W. Ergen, our Chairman, or 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 majority owned subsidiaries, investments in entities in which we have controlling interest and variable interest entities where we are the primary beneficiary. Non-majority owned investments are accounted for using the equity method when we have the ability to significantly influence the operating decisions of the investee. When we do not have the ability to significantly influence the operating decisions of an investee, the cost method is used. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the current period presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense for each reporting period. Estimates are used in accounting for, among other things, amortization periods of deferred revenue and deferred subscriber acquisition costs, percentage-of-completion related to revenue recognition, allowances for doubtful accounts, allowance for sales returns/rebates, warranty obligations, self-insurance obligations,

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deferred taxes and related valuation allowances, uncertain tax positions, loss contingencies, fair value of financial instruments, fair value of options granted under EchoStar's stock-based compensation plans, fair value of assets and liabilities acquired in business combinations, lease classification, asset impairments, useful lives of property, equipment and intangible assets, and royalty obligations. Weakened economic conditions may increase the inherent uncertainty in the estimates and assumptions indicated above. We base our estimates and assumptions on historical experience 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. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected prospectively in the period they occur.

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 while income and expense accounts are translated at monthly average rates. The resulting translation adjustments are recorded in other comprehensive income as "Foreign currency translation adjustments" on our Consolidated Statements of Operations and Comprehensive Income (Loss).

Gains and losses resulting from re-measurement of the foreign currency denominated assets, liabilities, and transactions into U.S. dollars are recognized in "Other, net" on our Consolidated Statements of Operations and Comprehensive Income (Loss). We occasionally enter into forward exchange contracts to mitigate foreign currency exchange risks related to certain of our assets and liabilities and forecasted transactions. These forward contracts are not designated as qualified hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the re-measurement of any related foreign currency assets and liabilities. For the years ended December 31, 2012, 2011 and 2010, the net transactions gains and losses that resulted from the re-measurement of the foreign currency and the related derivative gains and losses were not material in each of the periods presented herein.

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, 2012 and 2011 primarily consisted of money market funds, government bonds, corporate notes and commercial paper. The cost of these investments approximates their fair value.

Marketable Investment Securities

We classify all marketable investment securities as available for sale, except for certain securities accounted for using the fair value method. We report our available-for-sale securities at fair value and generally recognize the difference between fair value and amortized cost as unrealized gains and losses in "Unrealized holding gains (losses) on available-for-sale securities and other" on our Consolidated Statements of Operations and Comprehensive Income (Loss). Declines in the fair value of a marketable investment security which are determined to be other than temporary are recognized in earnings thus establishing a new cost basis for such investment. Interest and dividend income from marketable investment securities is reported in "Interest income" and "Other, net", respectively, in our Consolidated Statements of Operations and Comprehensive Income (Loss). Dividend income is recognized on the ex-dividend date.

We evaluate our marketable investment 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; and
- any market and company specific factors related to each security.

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.

In general, we use the first-in, first-out ("FIFO") method to determine the cost basis on sales of marketable investment securities.

Other Investment Securities — Cost and Equity Method

Generally, we account for our non-marketable equity investments using either the equity method or cost method of accounting. It is not practicable to regularly estimate the fair value of our equity securities that are not publicly traded. 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, cash flow concerns, material litigation, violations of debt covenants, bankruptcy and changes in business strategy. When there are indications that an investment is impaired, we adjust the carrying amount of the investment to its estimated fair value and recognize the impairment in earnings.

Investments in which we own at least 20% of the voting securities or have significant influence are accounted for using the equity method of accounting. 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 reflected in "Equity in earnings (losses) of unconsolidated affiliates" on our Consolidated Statements of Operations and Comprehensive Income (Loss). 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.

Marketable and Other Investment Securities — Fair Value Method

We may elect the fair value method for certain debt and equity investments in affiliates when we believe that the fair value method of accounting provides more meaningful information to our investors. Changes in the fair value of these securities are recognized as "Gains on investments accounted for at fair value, net" on our Consolidated Statements of Operations and Comprehensive Income (Loss). The fair value of non-marketable convertible debt is determined each reporting period based upon inputs other than quoted market prices that are observable for the debt, either directly or indirectly. Our fair value analysis on these securities considers, among other things, price of the underlying company stock, changes in the credit market including yield curves and interest rates, and impact of any bankruptcy proceedings. As of December 31, 2012 and 2011, we had no investments accounted for under the fair value method.

Accounts Receivable

Management estimates required allowances for the potential non-collectability of accounts receivable based upon past collection experience and consideration of other relevant factors. However, past experience may not be indicative of future collections and therefore additional charges could be incurred in the future to reflect differences between estimated and actual collections.

Inventory

Inventory is stated at the lower of cost or net realizable value. We principally use standard costs adjusted to reflect actual cost, based on variance analyses performed throughout the year which approximates the FIFO method when cost exceeds net realizable value. Inventories are adjusted to net realizable value using management's best estimates of future use. In making assessments of future use or recovery, management considers 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.

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, capitalized interest, and insurance premiums related to the launch. Depreciation is recorded on a straight-line basis over lives ranging from one to thirty years. Repair and maintenance costs are charged to expense when incurred. 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. This 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 which are held and used in operations, the asset would be impaired if the carrying amount of the asset exceeded its undiscounted future net cash flows. Once an asset is considered impaired, we adjust the value of such asset and recognize the impairment into our earnings. Assets which are to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. We consider relevant cash flow, estimated future operating results, trends, and other available information in assessing whether the carrying amount of assets are recoverable.

Goodwill

Goodwill represents the excess of the purchase price 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 at least annually unless indicators of impairment exist in interim periods. Our goodwill was recognized in connection with the Hughes Acquisition and was assigned to reporting units of our Hughes segment ("Hughes goodwill"). We test Hughes goodwill for impairment in the second fiscal quarter. There are two steps to the goodwill impairment test. Step one compares the fair value of a reporting unit with its carrying amount, including goodwill. We estimated fair value of the reporting units using discounted cash flow techniques, which included significant assumptions about prospective financial information, terminal value and discount rates. If the reporting unit's carrying amount exceeds its estimated fair value, it is necessary to perform the second step of the impairment test, which compares the implied fair value of reporting unit goodwill with the carrying amount of such goodwill to determine the amount of impairment loss. See Note 8 for further discussion of our goodwill impairment testing.

Finite-Lived Intangible Assets

Intangible assets that have finite lives are amortized over their estimated useful lives, ranging from approximately one to twenty years, and tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Indefinite-lived Intangible Assets

We do not amortize our indefinite-lived intangible assets, but test those assets for impairment at least annually and more frequently when indicators of impairment exist in interim periods. See Note 8 for further discussion of our indefinite-lived intangible assets impairment testing. Our indefinite-lived intangible assets consist of FCC authorizations and certain other contractual or regulatory rights to use spectrum at specified orbital locations (collectively "Regulatory authorizations"). Except for the right to use the 45 degree west longitude orbital location from the Brazilian communications regulatory authority, which is a finite-lived intangible due to a license term of 15 years with more than perfunctory renewal requirements, we have determined that our Regulatory authorizations have indefinite useful lives due to the following:

- regulatory 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;
- maintenance expenditures in order to obtain future cash flows are not significant; and

· we intend to use these assets indefinitely.

Income Taxes

We establish a provision for income taxes currently payable or receivable and for income tax amounts deferred to future periods. Deferred tax assets and liabilities are recorded for the estimated future tax effects of differences that exist between the book 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 asset will not be realized in the foreseeable future.

From time to time, we engage in transactions where the income tax consequences may be subject to uncertainty. We record a liability when, in management's judgment, a tax filing position does not meet the more likely than not threshold. For tax positions that meet the more likely than not threshold, we may record a liability depending on management's assessment of how the tax position will ultimately be settled. 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 uncertain tax positions as a component of income tax expense.

Fair Value Measurements

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

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

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 during 2012 or 2011.

As of December 31, 2012 and 2011, the carrying amount of our cash and cash equivalents, trade accounts receivable, net of allowance for doubtful accounts, and accrued liabilities were equal to or approximated fair value due to their short-term nature or proximity to current market rates.

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

Fair values for our publicly traded long-term debt are based on quoted market prices in less active markets and are categorized as Level 2 measurements. The fair values of privately held debt are Level 2 measurements and are estimated to approximate their carrying amounts based on the proximity of their interest rates to current market rates. See Note 9 for the fair value of our long-term debt. As of December 31, 2012 and 2011, the fair values of our orbital incentive obligations, based on measurements categorized within Level 2 of the fair value hierarchy, approximated their carrying amounts of $30 million and $6 million, respectively. We use fair value measurements from time-to-time in connection with impairment testing and the assignment of purchase consideration to assets and liabilities of acquired companies. Those fair value measurements typically include significant unobservable inputs and are categorized within Level 3 of the fair value hierarchy.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, prices are fixed or determinable, collectability 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. Revenues from leasing equipment or services are recognized ratably over the lease period. Revenues from digital broadcast operations and other services are recognized when the related services are performed. Upfront fees collected in connection with the service arrangements for customers in our Hughes segment consumer market are deferred and recognized as service revenue over the estimated subscriber life.

In situations where customer offerings represent a bundled arrangement for both services and hardware, revenue elements are separated into their relevant components (services or hardware) for revenue recognition purposes. We offer a rebate to qualifying new consumer subscribers in our Hughes segment and record a reduction in revenue in the same period in which the related sale occurs based on an estimate of the number of rebates that will be redeemed. This estimate is based on historical experience and actual sales during the promotion.

Our Hughes segment has a consumer rental program, under which customers enter into a contract which requires that the customer pay rental and service charges for a minimum term of 24 months, subject to payment of certain termination charges for early cancellation. Once the initial 24 month term ends, it becomes a month-to-month contract. Revenue on the rental equipment is recognized on a monthly basis as service revenue over the customer contract term. In October 2012, the Hughes segment entered into a wholesale service agreement with dishNET Satellite Broadband L.L.C. ("dishNET"), a wholly-owned subsidiary of DISH Network. Under this agreement, dishNET has the right, but not the obligation, to purchase certain broadband equipment, market, sell, and distribute Hughes satellite Internet service and we recognize a monthly subscriber wholesale service fee as we provide the service.

In addition to providing standard product and service offerings, our Hughes segment also enters into contracts to design, develop, and deliver complex telecommunication networks to customers in its enterprise and telecom systems markets. These contracts for telecommunication networks require significant effort to develop and construct the network, over an extended time period. Sales under these contracts are recognized using the percentage-of-completion method of accounting. Depending on the nature of the deliverables in each arrangement, we recognize revenue under the cost-to-cost method or the units of delivery method. Under the cost-to-cost method, sales are recorded equivalent to costs incurred plus a portion of the profit expected to be realized, based on the ratio of costs incurred to estimated total costs at completion. Under the units of delivery method, sales are recorded as products are delivered and costs are recognized based on the expected profit for the entire agreement. Profits expected to be realized on long-term contracts are based on estimates of total sale values and costs at completion. These estimates are reviewed and revised periodically throughout the lives of the contracts, and adjustments to profits resulting from such revisions are recorded in the accounting 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 and Comprehensive Income (Loss). 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.

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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” on our Consolidated Statements of Operations and Comprehensive Income (Loss).

Cost of Equipment and Services

Cost of equipment primarily consists of materials and direct labor costs associated with the procurement and manufacture of our products and indirect overhead incurred in the procurement and production process, including freight and royalties. Cost of equipment generally is recognized as products are delivered to customers. Cost of services primarily consists of costs of digital broadcast operations, transponder capacity service agreements, satellite services, hub infrastructure, customer care, wireline and wireless capacity, and direct labor costs associated with the service provided. Cost of services is recognized as costs are incurred.

Research and Development

Costs incurred in research and development activities are expensed as incurred.

Deferred Subscriber Acquisition Costs (“SAC”)

Deferred SAC is included in “Other noncurrent assets, net” on our Consolidated Balance Sheets. SAC consists of costs paid to third-party dealers and customer service representative commissions on new service activations as well as hardware upgrades and, in certain cases, the subsidy for the cost of hardware and installation services provided to customers at the inception of service as well as hardware upgrade. SAC is deferred when a customer commits to a service agreement, and the deferred SAC is amortized over the contractual term, as the related service revenue is earned. We monitor the recoverability of SAC and are entitled to an early termination fee (secured by customer credit card information) if the subscriber cancels service prior to the end of the commitment period. 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.

Capitalized Software Costs

Software development costs for internal and external use are capitalized and amortized using the straight-line method over the estimated useful life of the software, not in excess of five years. Internal use capitalized software costs are included in “Property and equipment, net” and external use capitalized software costs are included in “Other noncurrent assets, net” on our Consolidated Balance Sheets. Software program reviews for external use capitalized software costs are conducted at least annually, or as events and circumstances warrant such a review, to determine if capitalized software development costs have been impaired and to ensure that costs associated with programs that are no longer generating revenue are expensed. As of December 31, 2012 and 2011, we had $15.9 million and $6.0 million, respectively, of external capitalized software costs. For the years ended December 31, 2012 and 2011, we recorded $0.3 million and minimal, respectively, of amortization expense relating to our capitalized software costs. We did not record any amortization of capitalized software cost in 2010.

Advertising Costs

Advertising costs are expensed as incurred and are included in “Selling, general and administrative expenses” on our Consolidated Statements of Operations and Comprehensive Income (Loss). For the years ended December 31, 2012, 2011 and 2010, we incurred $41 million, $21 million and minimal, respectively, of advertising expense.

New Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-08 amending accounting related to goodwill impairment testing. ASU 2011-08 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity is not required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. ASU 2011-08 is effective for impairment tests performed for fiscal years beginning after December 15, 2011. We have not applied the optional requirements of ASU 2011-08 in our goodwill impairment testing.

In July 2012, the FASB issued ASU 2012-02 amending accounting standards related to impairment testing for indefinite-lived intangible assets other than goodwill. ASU 2012-02 allows an entity to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test for indefinite-lived intangible assets. An entity that elects to perform a qualitative assessment no longer is required to perform the quantitative impairment test for an indefinite-lived intangible asset if it is more likely than not that the asset is impaired. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We have not applied the optional requirements of ASU 2012-02 in our indefinite-lived intangible assets impairment testing.

Note 3. Other Comprehensive Income (Loss) and Related Tax Effects

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

Note 4. Investment Securities

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

	As of December 31, 2012	As of December 31, 2011
	(In thousands)	
Marketable investment securities—current:		
Corporate bonds	$ 33,035	$ 159,779
VRDNs	6,860	61,795
Strategic	—	6,426
Other	2,527	33,082
Total marketable investment securities—current	42,422	261,082
Other investment securities—noncurrent:		
Cost method	17,074	15,557
Equity method	12,059	6,909
Total other investment securities—noncurrent	29,133	22,466
Total marketable and other investment securities	$ 71,555	$ 283,548

Marketable Investment Securities

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

Corporate bonds

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

Variable rate demand notes ("VRDNs")

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

Strategic

From time to time, we may acquire strategic investments in marketable equity securities. As of December 31, 2011, our strategic investment portfolio consisted of shares of common stock of a single public company issuer with a carrying amount (at fair value) of $6.4 million and a cost basis of $3.2 million. As a result of a merger agreement associated with the issuer of the equity securities, we received $16.2 million in August 2012 in exchange for our ownership of the shares of common stock. As a result, we recognized a $13 million of gain on sale of our investment in "Other, net" on our Consolidated Statements of Operations and Comprehensive Income (Loss) for the year ended December 31, 2012. As of December 31, 2012, we held no strategic marketable investment securities.

Other

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

Other Investment Securities - Noncurrent

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

Unrealized Gains (Losses) on Marketable Investment Securities

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
		(In thousands)		
As of December 31, 2012				
Debt securities:				
Corporate bonds	$ 33,033	$ 21	$ (19)	$ 33,035
VRDNs	6,860	—	—	6,860
Other	2,526	1	—	2,527
Total marketable investment securities	$ 42,419	$ 22	$ (19)	$ 42,422
As of December 31, 2011				
Debt securities:				
Corporate bonds	$ 160,808	$ 63	$ (1,092)	$ 159,779
VRDNs	61,795	—	—	61,795
Other	33,085	5	(8)	33,082
Equity security - strategic	3,172	3,254	—	6,426
Total marketable investment securities	$ 258,860	$ 3,322	$ (1,100)	$ 261,082

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As of December 31, 2012, we had debt securities of $36 million with contractual maturities of one year or less and $6 million with contractual maturities greater than one year. We may realize proceeds from certain investments prior to contractual maturity as a result of our ability to sell these securities prior to their contractual maturity.

Marketable Investment Securities in a Loss Position

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

	As of December 31, 2012		As of December 31, 2011	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
		(In thousands)		
Less than 12 months	$ 18,253	$ (19)	$ 154,892	$ (1,100)
Total	$ 18,253	$ (19)	$ 154,892	$ (1,100)

Fair Value Measurements

Our current marketable investment securities were measured at fair value on a recurring basis as summarized in the table below. As of December 31, 2012 and 2011, we did not have investments that were categorized within Level 3 of the fair value hierarchy.

	As of December 31, 2012			As of December 31, 2011		
	Total	Level 1	Level 2	Total	Level 1	Level 2
			(In thousands)			
Cash equivalents	$ 25,678	$ 598	$ 25,080	$ 71,940	$ 110	$ 71,830
Debt securities:						
Corporate bonds	$ 33,035	$ —	$ 33,035	$ 159,779	$ —	$ 159,779
VRDNs	6,860	—	6,860	61,795	—	61,795
Other	2,527	—	2,527	33,082	—	33,082
Equity security - strategic	—	—	—	6,426	6,426	—
Total marketable investment securities	$ 42,422	$ —	$ 42,422	$ 261,082	$ 6,426	$ 254,656

Note 5. Trade Accounts Receivable

Our trade accounts receivable consisted of the following:

	As of December 31,	
	2012	2011
	(In thousands)	
Trade accounts receivable	$ 161,962	$ 161,016
Contracts in process	39,804	27,670
Total trade accounts receivable	201,766	188,686
Allowance for doubtful accounts	(14,918)	(16,769)
Total trade accounts receivable, net	$ 186,848	$ 171,917

As of December 31, 2012 and 2011, advances and progress billings offset against contracts in process amounted to $5 million and $12 million, respectively.

Note 6. Inventory

Our inventory consisted of the following:

	As of December 31,	
	2012	2011
	(In thousands)	
Finished goods	$ 46,060	$ 33,574
Work-in process	4,927	7,315
Raw materials	8,688	6,669
Total inventory	$ 59,675	$ 47,558

Note 7. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)	As of December 31,	
		2012	2011
		(In thousands)	
Land	—	11,383	$ 11,388
Buildings and improvements	1 - 30	69,509	59,884
Furniture, fixtures, equipment and other	1 - 12	252,928	142,689
Customer rental equipment	1 - 5	251,707	158,371
Satellites:			
EchoStar III - fully depreciated	N/A	234,083	234,083
EchoStar IV - fully depreciated	N/A	78,511	78,511
EchoStar VI - fully depreciated	N/A	244,305	244,305
EchoStar VIII	12	175,801	175,801
EchoStar IX	12	127,376	127,376
EchoStar XII	10	190,051	190,051
EchoStar XVII	15	503,941	—
SPACEWAY 3	12	286,707	286,707
Satellites acquired under capital leases	10 - 15	935,104	906,526
Construction in progress	—	364,261	688,143
Total property and equipment		3,725,667	3,303,835
Accumulated depreciation		(1,566,776)	(1,281,930)
Property and equipment, net		$ 2,158,891	$ 2,021,905

As of December 31, 2012 and 2011, accumulated depreciation included accumulated depreciation of satellites acquired under capital leases of $362 million and $302 million, respectively.

“Construction in progress” consisted of the following:

	As of December 31,	
	2012	2011
	(In thousands)	

Progress amounts for satellite construction, including certain amounts prepaid under satellite service agreements and launch costs:				
EchoStar XVI	$	345,090	$	232,364
EchoStar XVII		—		365,721
Other		6,500		17,323
Uplinking equipment		3,242		59,185
Other		9,429		13,550
Construction in progress	$	364,261	$	688,143

For the years ended December 31, 2012, 2011 and 2010, we recorded $45 million, $38 million and $18 million, respectively, of capitalized interest related to our satellites under construction.

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

	For the Years Ended December 31,					
	2012		2011		2010	
			(In thousands)			
Satellites	$	150,034	$	112,026	$	92,875
Furniture, fixtures, equipment and other		130,810		71,804		2,190
Buildings and improvements		4,710		2,470		—
Total depreciation expense	$	285,554	$	186,300	$	95,065

Satellites depreciation expense includes amortization of satellites under capital lease agreements of $60 million, $34 million and $28 million for the years ended December 31, 2012, 2011 and 2010, respectively. Our depreciation expense increased in 2011 and 2012 as a result of the Hughes Acquisition. See Note 12 for further discussion.

Satellites

As of December 31, 2012, we utilized 11 of our 12 owned and leased satellites in geostationary orbit approximately 22,300 miles above the equator. Four of our satellites are accounted for as capital leases and are depreciated on a straight-line basis over the terms of the satellite service agreements. We depreciate our owned satellites on a straight-line basis over the estimated useful life of each satellite. Information for our satellite fleet is presented below.

Satellites	Segment	Launch Date	Nominal Degree Orbital Location (West Longitude)	Depreciable Life (In Years)
Owned:				
SPACEWAY 3 (4)	Hughes	August 2007	95	12
EchoStar XVII	Hughes	July 2012	107	15
EchoStar III (1)(2)	ESS	October 1997	61.5	12
EchoStar VI (1)	ESS	July 2000	77	12
EchoStar VIII (1)	ESS	August 2002	77	12
EchoStar IX (1)	ESS	August 2003	121	12
EchoStar XII (1)(5)	ESS	July 2003	61.5	10
EchoStar XVI (1)	ESS	November 2012	61.5	15
Leased from Other Third Parties (3):				
AMC- 15	ESS	December 2004	105	10
AMC-16	ESS	January 2005	85	10
Nimiq 5 (1)	ESS	September 2009	72.7	15
QuetzSat-1 (1)	ESS	September 2011	77	10

(1) See Note 16 for further discussion of our transactions with DISH Network.
(2) Fully depreciated and currently an in-orbit spare.
(3) These satellites are accounted for as capital leases and their launch dates represent dates that the satellites were placed into service.
(4) Depreciable life represents the remaining useful life as of the date of the Hughes Acquisition.
(5) Depreciable life represents the remaining useful life as of the date EchoStar XII was acquired from a third party in 2005.

Recent Developments

In July 2012, we successfully launched EchoStar XVII, our next-generation, geostationary high throughput satellite that employs a multi-spot beam and "bent pipe" Ka-band architecture. We introduced HughesNet Gen4 broadband Internet services to our customers in North America in October 2012 utilizing EchoStar XVII.

In November 2012, we successfully launched our EchoStar XVI satellite, a direct broadcast satellite. EchoStar XVI is fully leased to DISH Network for the delivery of DTH broadcast services to DISH customers in the United States. We expect to provide service on EchoStar XVI in the first quarter of 2013.

In 2008, we entered into a transponder service agreement with SES Latin America S.A. ("SES") to lease all of the capacity on QuetzSat-1. Concurrently, in 2008, we entered into a transponder service agreement with DISH Network, pursuant to which, DISH Network agreed to lease certain transponders on

QuetzSat-1 when it is placed into commercial operation at the 77 degree west longitude orbital location. In January 2013, QuetzSat-1 was moved to the 77 degree west longitude orbital location and commenced commercial operations in February 2013. See Note 16 for further discussion of our agreement with DISH Network relating to QuetzSat-1.

Satellite Anomalies

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

Owned Satellites

EchoStar III. EchoStar III was originally designed to operate a maximum of 32 DBS transponders in a mode that provides service to the entire continental United States ("CONUS") at approximately 120 watts per channel, switchable to 16 transponders operating at over 230 watts per channel, and was equipped with a total of 44 traveling wave tube amplifiers ("TWTAs") to provide redundancy. As a result of TWTA failures in previous years, including the most recent failures in February 2013, only 8 transponders are currently available for use. Although these failures have impacted the commercial operation of the satellite, EchoStar III was fully depreciated in 2009. It is likely that additional TWTA failures will occur from time to time in the future and such failures could further impact commercial operation of the satellite.

EchoStar VI. EchoStar VI was designed to meet a minimum 12-year useful life. Prior to 2012, EchoStar VI experienced solar array anomalies and the loss of TWTAs that did not reduce its useful life; however, the solar array anomalies in 2010 impacted the commercial operation of the satellite. EchoStar VI lost (i) two additional TWTAs in March 2012, increasing the total number of TWTAs lost on the satellite to five out of 48 TWTAs and (ii) an additional solar array string during the second quarter of 2012, reducing the total power available for use by the spacecraft. The anomalies in 2012 did not impact current commercial operation or the estimated useful life of the satellite. However, there can be no assurance that these anomalies or any future anomalies will not reduce its useful life or impact its commercial operation. EchoStar VI was fully depreciated in August 2012.

EchoStar VIII. EchoStar VIII was designed to operate 32 DBS transponders in the continental U.S. at approximately 120 watts per channel, switchable to 16 DBS transponders operating at approximately 240 watts per channel. EchoStar VIII was also designed with spot-beam technology. Prior to 2012, EchoStar VIII experienced several anomalies. In January 2011, EchoStar VIII experienced an anomaly which temporarily disrupted electrical power to some components, causing an interruption of broadcast service and one of the two on-board computers used to control the satellite to fail. None of these anomalies has impacted the commercial operation or estimated useful life of the satellite. However, if the remaining on-board computer fails, the commercial operation of the satellite would cease and result in a complete loss of the satellite.

EchoStar XII. EchoStar XII was designed to operate 13 DBS transponders at 270 watts per channel in CONUS mode, or 22 spot beams using a combination of 135 and 65 watt TWTAs. We currently operate EchoStar XII in spot beam mode. Prior to 2010, EchoStar XII experienced anomalies resulting in the loss of electrical power available from its solar arrays. In September 2012, November 2012, and January 2013, EchoStar XII experienced additional solar array anomalies, which further reduced the electrical power available to operate EchoStar XII. An investigation of the anomalies is continuing. Additional solar array anomalies are likely and, if they occur, they will continue to degrade the operational capability of EchoStar XII.

Leased Satellites

EchoStar I. Prior to 2012, we leased EchoStar I from DISH Network. During the first quarter of 2012, EchoStar I experienced a communications receiver anomaly, which had no impact on the commercial operation of the satellite. Effective July 1, 2012, we and DISH Network mutually agreed to terminate this satellite capacity agreement.

AMC-15. AMC-15, a fixed satellite services ("FSS") satellite, commenced commercial operation during January 2005. AMC-15 is equipped with 24 Ku FSS transponders that operate at approximately 120 watts per channel and a Ka FSS payload consisting of 12 spot beams. Pursuant to the satellite services agreement, we are entitled to a reduction of our monthly recurring payment in the event of a partial loss of satellite capacity, which results in corresponding reductions in the related capital lease obligation and the carrying amount of the satellite. During 2011, AMC-15 experienced solar-power anomalies, which caused a partial power loss that reduced its capacity. As a result, the monthly recurring payment was reduced and the capital lease obligation and carrying amount of the satellite were each decreased by $20 million. There can be no assurance that these anomalies or any future anomalies will not reduce AMC-15's useful life or further impact its commercial operations.

AMC-16. AMC-16, an FSS satellite, commenced commercial operation during February 2005. AMC-16 is equipped with 24 Ku-band FSS transponders that operate at approximately 120 watts per channel and a Ka-band payload consisting of 12 spot beams. Pursuant to the satellite services agreement, we are entitled to a reduction of our monthly recurring payment in the event of a partial loss of satellite capacity. During 2010, AMC-16 experienced a solar-power anomaly, which caused a partial power loss that reduced its capacity. As a result, the capital lease obligation and the carrying amount of the satellite were each decreased by $39 million. As a result of prior period adjustments associated with satellite anomalies and depreciation expense recognized on the satellite, the net carrying amount of AMC-16 had been reduced to zero as of December 31, 2010. In 2011 and in 2012, the monthly recurring payment for AMC-16 was further reduced due to the 2010 anomaly and additional solar power anomalies in 2012, resulting in reductions in the capital lease obligation of $7 million and $13 million, respectively. Because the carrying amount of AMC-16 had been reduced to zero in 2010, these 2011 and 2012 adjustments to the capital lease obligation were recognized as gains in "Other, net" on our Consolidated Statements of Operations and Comprehensive Income (Loss). There can be no assurance that these anomalies or any future anomalies will not reduce AMC-16's useful life or further impact its commercial operations.

Satellite Impairments

We evaluate our satellites for impairment and test for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Certain of the anomalies discussed above, and 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, these anomalies are not necessarily considered to be significant events that would require a test of recoverability.

Note 8. 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 reporting units of our operating segments and is subject to our annual impairment testing and more frequently when events or changes in circumstances indicate the fair value of a reporting unit may be less than its carrying amount. Changes in the carrying amount of our goodwill for the years ended December 31, 2012 and 2011 are as follows:

	Amount (In thousands)
Balance as of December 31, 2011	$ 516,198
Deferred tax adjustment	(12,025)
Balance as of December 31, 2012	$ 504,173

As of December 31, 2012, our goodwill was derived from the Hughes Acquisition. In connection with our final purchase price allocation of the Hughes Acquisition, we made adjustments to increase the deferred tax assets and deferred tax liabilities in the aggregate by $12 million with a corresponding adjustment to goodwill in the first quarter of 2012. During the second quarter of 2012, we performed step one of our annual two-step test of impairment of Hughes goodwill. Step one involves a comparison of the estimated fair value of each reporting unit with its carrying amount, including goodwill. We estimated the fair value of the reporting units using discounted cash flow techniques, which included significant assumptions about prospective financial information, terminal value, and discount rates. Based on this quantitative test, we determined that the estimated fair values of the Hughes reporting units were in excess of the corresponding carrying amounts, including goodwill. Accordingly, we concluded that Hughes goodwill was not impaired and it was not necessary to perform step two of the two-step goodwill impairment test.

Regulatory Authorizations

Regulatory authorizations consisted of the following:

	As of December 31, 2012	As of December 31, 2011
	(In thousands)	
Indefinite lives	$ 491,657	$ 465,658
Finite lives	71,055	—
Total regulatory authorizations	$ 562,712	$ 465,658

The majority of our regulatory authorizations have indefinite useful lives as these authorizations can be renewed based on standard procedures and minimal costs. In May 2012, we acquired the right to use the 45 degree west longitude orbital location from ANATEL, the Brazilian communications regulatory authority (the “Brazil authorization”). The Brazil authorization will be amortized on a straight-line basis over the remainder of its 15-year license term when it is placed into service.

Other Intangible Assets

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

	Weighted Average Useful life (in Years)	2012 Cost	2012 Accumulated Amortization	2012 Carrying Amount	2011 Cost	2011 Accumulated Amortization	2011 Carrying Amount
		(In thousands)					
Customer relationships	8	$ 270,300	$ (90,289)	$ 180,011	$ 270,300	$ (52,556)	$ 217,744
Contract-based	4	64,800	(37,930)	26,870	64,800	(20,602)	44,198
Technology-based	6	51,417	(13,577)	37,840	51,417	(5,007)	46,410
Trademark portfolio	20	29,700	(2,351)	27,349	29,700	(866)	28,834
Favorable leases	4	4,707	(1,863)	2,844	4,707	(686)	4,021
Total other intangible assets		$ 420,924	$ (146,010)	$ 274,914	$ 420,924	$ (79,717)	$ 341,207

Customer relationships are amortized predominantly in relation to the estimated discounted cash flows over the life of the intangible. Other intangible assets are amortized on a straight-line basis over the periods the assets are expected to contribute to our cash flows. For the years ended December 31, 2012, 2011 and 2010, amortization expense was $67 million, $80 million and minimal, respectively.

Future Amortization

As of December 31, 2012, our estimated future amortization of intangible assets was as follows:

	Amount (1) (In thousands)
For the Years Ending December 31,	
2013	$ 44,722
2014	54,517
2015	44,460
2016	35,674
2017	36,959
Thereafter	58,582
Total	$ 274,914

(1) Amount does not include estimated amortization on the Brazil authorization as it is not yet placed into service.

Impairment of Intangible Assets

In connection with the Hughes Acquisition, we acquired contractual rights to receive $44 million in cash discounts on future launch services ("Credits") and assigned an estimated fair value of $22 million to the Credits on the acquisition date, which was recorded in "Other noncurrent assets, net." In November 2012, EchoStar entered into an agreement for alternative launch services and determined that the potential to realize value from the Credits was less than previously estimated. Based on an updated fair value estimate using unobservable inputs that considered factors such as the viability of the launch services provider and marketability of the Credits we recognized a $22 million impairment loss to reduce the carrying amount of the Credits to their estimated fair value of approximately zero as of December 31, 2012.

Note 9. Debt and Capital Lease Obligations

As of December 31, 2012 and 2011, our debt primarily consisted of our Senior Secured Notes and Senior Notes, as defined below and which were registered with the Securities and Exchange Commission in January 2012 (collectively, the "Notes"), and our capital lease obligations. The following table summarizes the carrying amount and fair values of our debt:

		As of December 31,			
		2012		2011	
	Interest Rates	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In thousands)			
Senior Secured Notes	6.500%	$ 1,100,000	$ 1,210,000	$ 1,100,000	$ 1,138,500
Senior Notes	7.625%	900,000	1,026,450	900,000	936,000
Other	5.50 - 15.75%	1,902	1,902	858	858
Subtotal		2,001,902	$ 2,238,352	2,000,858	$ 2,075,358
Capital lease obligations (1)		482,761		526,597	
Total debt and capital lease obligations		2,484,663		2,527,455	
Less: Current portion		(64,418)		(63,411)	
Long-term portion of debt and capital lease obligations		$ 2,420,245		$ 2,464,044	

(1) Disclosure regarding fair value of capital leases is not required.

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

6 1/2% Senior Secured Notes due 2019

On June 1, 2011, we issued $1.1 billion aggregate principal amount of our 6 1/2% Senior Secured Notes (the "Senior Secured Notes") at an issue price of 100.0%, pursuant to a Secured Indenture dated June 1, 2011 (the "Secured Indenture"). The 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.

The Senior Secured Notes are 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 Secured Indenture, together with accrued and unpaid interest, if any, to the date of redemption. Prior to June 15, 2014, we may also redeem up to 35% of the aggregate principal amount of the Senior Secured Notes at a redemption price equal to 106.5% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from certain equity offerings or capital contributions. In addition, prior to June 15, 2015, we may redeem up to 10% of the outstanding Senior Secured Notes per year at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption.

The Senior Secured Notes are:

- our general secured obligations;
- secured by a first priority security interest in substantially all of our assets and the assets of certain of our subsidiaries, subject to certain exceptions and Permitted Liens (as defined in the Secured Indenture);
- effectively junior to our obligations that are secured by assets that are not part of the Collateral (as defined in the Secured Indenture) that is securing the Senior Secured Notes, in each case to the extent of the value of the Collateral securing such obligations;
- effectively senior to our existing and future unsecured obligations to the extent of the value of the Collateral securing the Senior Secured Notes, after giving effect to Permitted Liens;
- senior in right of payment to all of our existing and future obligations that are expressly subordinated to the Senior Secured Notes;
- structurally junior to any existing and future obligations of any non-Guarantor Subsidiaries (as defined in the Secured Indenture); and
- unconditionally guaranteed, jointly and severally, on a general senior secured basis by each Guarantor (as defined in the Secured Indenture).

Subject to certain exceptions, the Secured Indenture contains restrictive covenants that, among other things, impose limitations on our ability and, in certain instances, the ability of our Restricted Subsidiaries (as defined in the Secured Indenture), to:

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

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

As discussed above, we and certain of our subsidiaries have granted a first priority security interest in substantially all of our assets, subject to certain exceptions and permitted liens, in connection with the issuance of $1.1 billion aggregate principal amount of its Senior Secured Notes.

7 5/8% Senior Notes due 2021

On June 1, 2011, we issued $900 million aggregate principal amount of its 7 5/8% Senior Notes (the "Senior Notes") at an issue price of 100.0%, pursuant to an Unsecured Indenture dated June 1, 2011 (the "Unsecured Indenture"). The Senior 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.

The Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100.0% of the principal amount plus a "make-whole" premium, as defined in the Unsecured Indenture, together with accrued and unpaid interest, if any, to the date of redemption. Prior to June 15, 2014, we may also redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price equal to 107.625% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of redemption, with the net cash proceeds from certain equity offerings or capital contributions.

The Senior Notes are:

- our general unsecured obligations;
- effectively junior to our obligations that are secured to the extent of the value of the collateral securing such obligations;
- senior in right of payment to all of our existing and future obligations that are expressly subordinated to the Senior Notes;
- structurally junior to any existing and future obligations of any non-Guarantor Subsidiaries (as defined in the Unsecured Indenture); and

- unconditionally guaranteed, jointly and severally, on a general senior basis by each Guarantor (as defined in the Unsecured Indenture).

Subject to certain exceptions, the Unsecured Indenture contains restrictive covenants that, among other things, impose limitations on our ability and, in certain instances, the ability of our Restricted Subsidiaries (as defined in the Unsecured Indenture), to:

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

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

Debt Issuance Costs

In connection with the issuance of the Notes, we incurred $58 million of debt issuance costs, which are included in "Other noncurrent assets, net" on our Consolidated Balance Sheets. For the years ended December 31, 2012, 2011 and 2010, we amortized $5 million, $3 million and zero of debt issuance costs, respectively, which are included in "Interest expense, net of amounts capitalized" on our Consolidated Statements of Operations and Comprehensive Income (Loss).

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 7). These agreements require monthly recurring payments, which 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 7.78% to 10.97%, with a weighted average of 9.35% as of December 31, 2012. As discussed in Note 16, we have subleased transponders on certain of our leased satellites to DISH Network.

The following satellites are accounted for as capital leases and depreciated over the terms of the respective satellite service agreements on a straight-line basis.

AMC-15. AMC-15 commenced commercial operation during January 2005. This lease is renewable by us on a year-to-year basis following the initial ten-year term, and provides us with certain rights to lease capacity on replacement satellites.

AMC-16. AMC-16 commenced commercial operation during February 2005. This lease is renewable by us on a year-to-year basis following the initial ten-year term, and provides us with certain rights to lease capacity on replacement satellites.

Nimiq 5. Nimiq 5 was launched in September 2009 and commenced commercial operation at the 72.7 degree west longitude orbital location in October 2009, where it provides additional high-powered capacity to our satellite fleet. The lease is renewable by us on a month-to-month basis following the initial 15-year term.

QuetzSat-1. In 2008, we entered into a ten-year satellite service agreement with SES to lease all of the capacity on QuetzSat-1. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter of 2011 at the 67.1 degree west longitude orbital location. We commenced payments under our agreement with SES upon the placement of the QuetzSat-1 satellite at the 67.1 degree west longitude orbital location. In 2008, we also entered into an agreement with DISH Network pursuant to which DISH Network has agreed to lease certain of the DBS transponders on QuetzSat-1 from us when it is placed into commercial operation at the 77 degree west longitude orbital location, which occurred in January 2013. See Note 16 for further discussion on our agreement with DISH Network relating to QuetzSat-1.

Future minimum lease payments under these capital lease obligations, together with the present value of the net minimum lease payments as of December 31, 2012, are as follows:

	Amount (In thousands)
For the Years Ending December 31,	
2013	$ 145,640
2014	153,488
2015	87,899
2016	87,682
2017	87,711
Thereafter	514,015
Total minimum lease payments	1,076,435
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	(313,000)
Net minimum lease payments	763,435
Less: Amount representing interest	(280,674)
Present value of net minimum lease payments	482,761
Less: Current portion	(62,806)
Long-term portion of capital lease obligations	$ 419,955

For the years ended December 31, 2012, 2011 and 2010, we received sublease rental income of approximately $79 million, $62 million and $52 million, respectively. As of December 31, 2012, our future minimum sublease rental income was $1.155 billion relating to our satellites. See "Nimiq 5 Agreement" and "QuetzSat-1 Agreement" in Note 16 for further discussion on our lease agreements with DISH Network.

Note 10. Income Taxes

The components of income (loss) before income taxes are as follows:

	For the Years Ended December 31, 2012	2011 (In thousands)	2010
Domestic	$ (41,384)	$ (35,509)	$ 67,434
Foreign	18,263	17,769	(190)
Total income (loss) before income taxes	$ (23,121)	$ (17,740)	$ 67,244

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

	For the Years Ended December 31, 2012	2011 (In thousands)	2010
Current benefit (provision):			
Federal	$ 2,075	$ —	$ —
State	(211)	(1,403)	—
Foreign	(6,338)	(4,221)	—
Total current provision	(4,474)	(5,624)	—
Deferred benefit (provision):			
Federal	15,709	8,677	(23,033)
State	(270)	919	(1,779)
Foreign	(70)	—	—
Total deferred benefit (provision)	15,369	9,596	(24,812)
Total income tax benefit (provision), net	$ 10,895	$ 3,972	$ (24,812)

The actual tax provisions for the years ended December 31, 2012, 2011 and 2010 reconcile to the amounts computed by applying the statutory federal tax rate to income before income taxes as shown below:

	For the Years Ended December 31, 2012	2011	2010
Statutory rate	35.0%	35.0%	(35.0)%
State income taxes, net of federal effect	(7.7)%	(1.8)%	(1.7)%
Permanent differences	(5.2)%	(16.9)%	—
Decrease in valuation allowance	22.1%	3.6%	—
Stock option compensation	—	—	(0.1)%
Other	2.9%	2.5%	(0.1)%
Total income tax benefit (provision), net	47.1%	22.4%	(36.9)%

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

	As of December 31, 2012	2011
	(In thousands)	
Deferred tax assets:		
Net operating losses, credit and other carryforwards	$ 541,708	$ 203,794
Unrealized loss on investments, net	6,939	—
Accrued expenses	20,244	22,598
Stock-based compensation	5,766	8,367
Other assets	3,073	—
Total deferred tax assets	577,730	234,759
Valuation allowance	(22,907)	(1,693)
Deferred tax assets after valuation allowance	554,823	233,066
Deferred tax liabilities:		
Depreciation and amortization	(794,610)	(492,328)
Unrealized gain on investments, net	—	(1,977)
Other liabilities	(1,705)	(7,826)
Total deferred tax liabilities	(796,315)	(502,131)
Total net deferred tax liabilities	$ (241,492)	$ (269,065)
Current portion of net deferred tax assets	$ 23,451	$ 21,222
Noncurrent portion of net deferred tax liabilities	(264,943)	(290,287)
Total net deferred tax liabilities	$ (241,492)	$ (269,065)

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 $23 million and $2 million as of December 31, 2012 and 2011, respectively. The change in the valuation allowance primarily relates to an increase in realized and unrealized losses that are capital in nature and an increase in the net operating loss carryforwards of certain foreign subsidiaries.

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. Net operating loss carryforwards for tax purposes were $1.438 billion as of December 31, 2012. A substantial portion of these operating loss carryforwards will begin to expire in 2020. Tax credits available to offset future tax liabilities are $9.3 million as of December 31, 2012. A substantial portion of these tax credits will begin to expire in 2026.

As of December 31, 2012, 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.

Accounting for Uncertainty in Income Taxes

In addition to filing U.S. federal income tax returns with EchoStar, we file income tax returns in all states that impose an income tax. As of December 31, 2012, EchoStar is currently under a U.S. federal income tax examination for fiscal year 2008. We also file income tax returns in the United Kingdom, Brazil, India and a number of other foreign jurisdictions where we have insignificant operations. We generally are open to income tax examination in these foreign jurisdictions in taxable years beginning in 2003. As of December 31, 2012, we have no on-going significant current 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, 2012	2011	2010
		(In thousands)	
Balance as of beginning of period	$ 20,032	$ 16,066	$ 13,373
Additions based on tax positions related to the current year	—	3,119	—
Additions based on tax positions related to prior years	376	1,721	2,693
Reductions based on tax positions related to prior years	(341)	(874)	—
Reductions based on tax settlements	(16,587)	—	—
Balance as of end of period	$ 3,480	$ 20,032	$ 16,066

As of December 31, 2012, we had $3.5 million of unrecognized income tax benefits, of which $0.1 million, if recognized, would affect our effective tax rate. As of December 31, 2011, we had $20 million of unrecognized income tax benefits, of which $0.3 million, 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.

Our policy related to interest and penalties for uncertain tax positions is to record them as a component of income tax expense in the accompanying statement of operations. During 2012, 2011 and 2010, we recorded an insignificant amount of interest and penalties as a component of income tax expense on the accompanying statements of operations.

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 income tax benefit in the period in which such resolution occurs.

Note 11.   Employee Benefit Plans

Employee Stock Purchase Plan

Our eligible employees can participate in EchoStar's employee stock purchase plan (the "ESPP"), in which EchoStar is authorized to issue 2.5 million shares of Class A common stock. As of December 31, 2012, EchoStar had 1.7 million shares of Class A common stock which remain available for issuance under this plan. Substantially all full-time employees who have been employed by us for at least one calendar quarter are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. Under the terms of the ESPP, employees may not deduct an amount which would permit such employee to purchase EchoStar's capital stock under all of EchoStar's stock purchase plans at a rate which would exceed $25,000 in fair value of capital stock in any one year. The purchase price of the stock is 85% of the closing price of EchoStar's Class A common stock on the last business day of each calendar quarter in which such shares of Class A common stock are deemed sold to an employee under the ESPP. Employee purchases of Class A common stock through the ESPP were insignificant for each of the years ended December 31, 2012, 2011 and 2010.

401(k) Employee Savings Plans

During 2011 and 2012, we had two 401(k) employee savings plans; one for eligible employees of Hughes Communications which was in place prior to the Hughes Acquisition (the "Hughes 401(k) Plan") and one for all of our other eligible employees (the "EchoStar 401(k) Plan").

Under the EchoStar 401(k) Plan, eligible employees may contribute up to 50% of their compensation on a pre-tax basis, subject to the Internal Revenue Service ("IRS") limit of $17,000 in 2012. Employee contributions were immediately vested. We matched 50% of employee contributions to the EchoStar 401(k) Plan up to $1,500 per employee. Forfeitures of unvested participant balances which were retained by the EchoStar 401(k) Plan may be used to fund matching and discretionary contributions. Our Board of Directors may also authorize an annual discretionary contribution to the EchoStar 401(k) Plan, subject to the maximum deductible limit provided by the Internal Revenue Code of 1986, as amended. These contributions may be made in cash or in our stock. Matching contributions under the EchoStar 401(k) Plan are 100% vested after an eligible employee has completed five years of service from the date of the contribution. During each of the years ended December 31, 2012, 2011 and 2010, our matching contributions and discretionary stock contributions to the 401(k) Plan were minimal.

Under the Hughes 401(k) Plan, eligible employees may contribute up to 25% (16% for highly compensated employees) of their compensation on a pre-tax basis, subject to the IRS limit. Employee contributions were immediately vested. We matched 100% of employee contributions up to 3% of eligible compensation and 50% of employee contributions on up to an additional 6% of eligible compensation to the Hughes 401(k) Plan. Matching contributions are 100% vested after eligible employees have completed three years of service. For the years ended December 31, 2012 and 2011, we recognized $7 million and $3 million of matching contributions, respectively, to the Hughes 401(k) Plan. We did not recognize any matching contribution in 2010 to the Hughes 401(k) Plan as the Hughes Acquisition was not completed until June 2011.

Beginning January 1, 2013, we have one 401(k) employee saving plan for all of our eligible employees.

Note 12.   Acquisition

Hughes Communications

On June 8, 2011, EchoStar completed the Hughes Acquisition, pursuant to an agreement and plan of merger (the "Hughes Agreement") by and between certain of its subsidiaries, including EchoStar Satellite Services L.L.C., and Hughes Communications, Inc. Pursuant to the Hughes Agreement, 100% of the issued and outstanding shares of common stock and vested stock options of Hughes Communications, Inc. were converted into the right to receive $60.70 (minus any applicable exercise price) in cash and substantially all of the outstanding debt of Hughes

Communications, Inc. was repaid. The funding of the Hughes Acquisition was supported by the issuance of the Notes. See Note 9 for further discussion.

In connection with the Hughes Acquisition, each share of unvested restricted stock and unvested stock option of Hughes Communications, Inc. was converted into the right to receive $60.70 (minus any applicable exercise price) in cash on the vesting date of the stock award. As of December 31, 2012, our maximum liability for these unvested stock awards of Hughes Communications, Inc. was approximately $16 million, which is payable based on the original vesting terms of the stock award. Of the $16 million, $12 million was accrued as of December 31, 2012, the remainder of which will be recognized over the remaining vesting period associated with the original stock award, the last of which expires in 2014.

Hughes Communications is a global leader in broadband satellite technologies and services and a leading provider of managed network services. Together with Hughes Communications, we have an extensive fleet of owned and leased satellites, experienced personnel and communications facilities around the world. The Hughes Acquisition significantly expands our ability to provide new video and data products and solutions.

The Hughes Acquisition was accounted for as a business combination. The aggregate purchase price for the acquisition was assigned to the acquired assets and liabilities, as follows:

	Amount (In thousands)
Cash	$ 98,900
Marketable investment securities	22,148
Other current assets	282,471
Property and equipment	930,426
Goodwill (non-deductible)	504,173
Other intangibles assets	420,907
Regulatory authorizations	400,000
Other noncurrent assets	61,463
Current liabilities	(293,029)
Deferred tax liabilities	(220,928)
Long-term liabilities	(22,239)
Noncontrolling interests	(9,679)
Total purchase price	$ 2,174,613

During 2011, in connection with the Hughes Acquisition, we incurred $35 million of acquisition related transaction costs consisting primarily of banking, bond forfeiture, legal and accounting fees. These costs are included in “Hughes Acquisition costs” on our Consolidated Statements of Operations and Comprehensive Income (Loss).

The following unaudited pro forma consolidated operating results for the years ended December 31, 2011 and 2010 give effect to the Hughes Acquisition as if it occurred on January 1, 2010. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on such date and should not be used as a predictive measure of our future financial position, results of operations or liquidity. The pro forma adjustments are based on currently available information and certain assumptions that we believe are reasonable.

Supplemental pro forma financial information (Unaudited)	For the Years Ended December 31, 2011	2010
	(In thousands)	
Total revenue	$ 1,417,892	$ 1,299,788
Net income (loss) attributable to HSS	$ 3,540	$ (52,344)

Effective June 9, 2011, revenue and expenses associated with the Hughes Acquisition are included within the Hughes segment in our Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 14 for further discussion.

Note 13. Commitments and Contingencies

Commitments

As of December 31, 2012, estimated future payments of our contractual obligations are summarized as follows:

	Payments due by year Total	2013	2014	2015	2016	2017	Thereafter
	(In thousands)						
Long-term debt obligations	$ 2,001,902	$ 1,612	$ 158	$ 124	$ 8	$ —	$ 2,000,000
Capital lease obligations	482,761	62,806	72,080	26,269	29,095	32,472	260,039
Interest expense on long-term debt and capital lease obligations	1,329,269	186,412	183,522	175,521	172,704	169,569	441,541
Satellite-related obligations	905,399	202,241	203,748	168,908	49,494	40,641	240,367
Operating lease obligations	53,779	13,164	11,830	9,860	5,982	4,840	8,103
Purchase and other obligations	1,490	861	629	—	—	—	—
Payments in connection with Hughes Acquisition	15,770	11,189	4,581	—	—	—	—
Total	$ 4,790,370	$ 478,285	$ 476,548	$ 380,682	$ 257,283	$ 247,522	$ 2,950,050

“Satellite-related obligations” primarily includes, among other things, costs for our capital lease satellites, transponder agreements and in-orbit incentives relating to EchoStar XVI and EchoStar XVII, which were launched in the second half of 2012.

The table above does not include $0.1 million of liabilities associated with unrecognized tax positions that were accrued as of December 31, 2012 and are included on our Consolidated Balance Sheets. We do not expect any portion of this amount to be paid or settled within the next 12 months.

In certain circumstances, the dates on which we are obligated to make these payments could be delayed. These amounts will increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

Rent Expense

For the years ended December 31, 2012, 2011 and 2010, we recorded $27 million, $33 million and $21 million, respectively, of operating leases expense.

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 include a tripling of actual damages in certain cases. Further, we cannot estimate the extent to which we may be required in the future to obtain licenses with respect to intellectual property rights held by others and the availability and cost of any such licenses. Various parties have asserted patent and other intellectual property rights with respect to components within our direct broadcast satellite 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.

Contingencies

Separation Agreement

In connection with the Spin-off, EchoStar entered into a separation agreement with DISH Network that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms

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of the separation agreement, EchoStar has assumed certain liabilities that relate to its business including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, EchoStar will only be liable for its acts or omissions following the Spin-off and DISH Network will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off as well as DISH Network's acts or omissions following the Spin-off.

Litigation

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

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

CreateAds LLC

On February 7, 2013, CreateAds LLC ("CreateAds") filed suit against our wholly-owned subsidiary, Hughes Network Systems, LLC in the United States District Court for the District of Delaware alleging infringement of United States Patent No. 5,535,320, which is entitled "Method of Generating a Visual Design." CreateAds appears to assert that some portion of HughesNet web design services infringes its patent.

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

E-Contact Technologies, LLC

On February 22, 2012, E-Contact Technologies, LLC ("E-Contact") filed suit against two of our subsidiaries, Hughes Communications, Inc. and Hughes Network Systems, LLC, in the United States District Court for the Eastern District of Texas alleging infringement of United States Patent No. 5,347,579, which is entitled "Personal Computer Diary." E-Contact appears to assert that some portion of HughesNet email services infringe that patent. HughesNet email services are provided by a third-party service provider, who has assumed indemnification obligations for the case. On May 31, 2012, E-Contact filed a first amended complaint. The amended complaint removed the original complaint's requests for a finding of willfulness and entry of an injunction.

We, along with the third-party service provider, intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Network Acceleration Technologies, LLC

On November 30, 2012, Network Acceleration Technologies, LLC ("NAT") filed suit against Hughes Network Systems, LLC, our indirectly wholly-owned subsidiary, in the United States District Court for the District of Delaware alleging infringement of United States

Patent No. 6,091,710 (the "710 patent"), which is entitled "System and Method for Preventing Data Slow Down Over Asymmetric Data Transmission Links." NAT is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TQP Development, LLC

On November 14, 2012, TQP Development LLC ("TQP") filed suit against Hughes Network Systems, LLC. in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent No. 5,412,730, which is entitled "Encrypted Data Transmission System Employing Means for Randomly Altering the Encryption Keys." TQP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Other

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

Note 14. 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(s) ("CODM") of an enterprise. Under this definition, we operate two primary business segments.

- ***Hughes*** **—** which provides satellite broadband Internet access to North American consumers and broadband network services and systems to the domestic and international enterprise markets. The Hughes segment also provides managed services to large enterprises and networking systems solutions to customers for mobile satellite and wireless backhaul systems. Hughes became a new segment as a result of the Hughes Acquisition.

- ***EchoStar Satellite Services*** — which uses certain of our owned and leased in-orbit satellites and related licenses to lease capacity on a full-time and occasional-use basis primarily to DISH Network, and secondarily to Dish Mexico, United States government service providers, state agencies, Internet service providers, broadcast news organizations, programmers, and private enterprise customers.

The primary measure of segment profitability that is reported regularly to our CODM is earnings before interest, taxes, depreciation and amortization, or EBITDA. Our segment operating results do not include certain minor business activities, expenses of various corporate departments, and our centralized treasury operations, including income from our investment portfolio and interest expense on our debt. Total assets by segment have not been reported herein because the information is not provided to our CODM on a regular basis. During the years ended December 31, 2012, 2011 and 2010, transactions between segments were not significant.

The following tables present revenue, capital expenditures, and EBITDA for each of our operating segments and reconciles total consolidated EBITDA to reported "Income before income taxes" in our Consolidated Statements of Operations and Comprehensive Income (Loss):

Year Ended December 31,	Hughes	EchoStar Satellite Services	All Other and Eliminations	Consolidated Total
	(In thousands)			
2012				

Total revenue	$	1,158,714	$	277,985	$	(3,942)	$	1,432,757
Capital expenditures	$	292,222	$	118,998	$	—	$	411,220
EBITDA	$	265,755	$	212,549	$	2,720	$	481,024
2011								
Total revenue	$	676,222	$	276,819	$	(438)	$	952,603
Capital expenditures	$	156,768	$	119,004	$	—	$	275,772
EBITDA	$	167,100	$	198,262	$	(33,102)	$	332,260
2010								
Total revenue	$	—	$	262,179	$	—	$	262,179
Capital expenditures	$	—	$	120,450	$	—	$	120,450
EBITDA	$	—	$	185,927	$	—	$	185,927

	For the Years Ended December 31,		
	2012	2011	2010
		(In thousands)	
EBITDA	$ 481,024	$ 332,260	$ 185,927
Interest expense, net	(151,743)	(84,584)	(23,614)
Depreciation and amortization	(352,367)	(266,051)	(95,069)
Net income (loss) attributable to noncontrolling interests	(35)	635	—
Income (loss) before income taxes	$ (23,121)	$ (17,740)	$ 67,244

Geographic Information and Transactions with Major Customer

Geographic Information. Revenues are 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.

	As of December 31,	
Long-lived assets:	2012	2011
	(In thousands)	
North America:		
United States	$ 3,402,059	$ 3,321,617
Other	40	3
All other	98,592	23,348
Total long-lived assets	$ 3,500,691	$ 3,344,968

	For the Years Ended December 31,		
Revenue:	2012	2011	2010
		(In thousands)	
North America:			
United States	$ 1,117,969	$ 769,553	$ 253,659
Other	70,671	26,630	8,520
All other	244,117	156,420	—
Total revenue	$ 1,432,757	$ 952,603	$ 262,179

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Transactions with Major Customer. For the years ended December 31, 2012, 2011 and 2010, 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,		
	2012	2011	2010
		(In thousands)	
Total revenue:			
DISH Network:			
Hughes segment	$ 34,017	$ 1,854	$ —
EchoStar Satellite Services segment	201,300	214,846	208,364
Total DISH Network	235,317	216,700	208,364
All other	1,197,440	735,903	53,815
Total revenue	$ 1,432,757	$ 952,603	$ 262,179
Percentage of total revenue:			
DISH Network	16.4%	22.7%	79.5%
All other	83.6%	77.3%	20.5%

Note 15. 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
		(In thousands)		
Year ended December 31, 2012:				

Total revenue	$	347,337	$	352,879	$	350,774	$	381,767
Operating income	$	34,578	$	32,354	$	26,092	$	8,386
Net income (loss)	$	(1,134)	$	397	$	15,375	$	(26,864)
Net income (loss) attributable to HSS	$	(1,047)	$	629	$	15,660	$	(27,433)
Year ended December 31, 2011:								
Total revenue	$	67,904	$	151,517	$	356,352	$	376,830
Operating income	$	21,175	$	32,313	$	11,462	$	27,405
Net income (loss)	$	11,483	$	(7,393)	$	(12,051)	$	(5,807)
Net income (loss) attributable to HSS	$	11,483	$	(7,480)	$	(12,321)	$	(6,085)

Our operating results for the quarter ended December 31, 2012 included a $22 million impairment of a contract credit for launch services.

Note 16. Related Party Transactions

EchoStar

We and EchoStar have agreed that we shall have the right, but not the obligation, to receive from EchoStar certain corporate services, including among other things: treasury, tax, accounting and reporting, risk management, legal, internal audit, human resources, and information technology. In addition, we occupy certain office space in buildings owned by EchoStar and pay a portion of the taxes, insurance, utilities and maintenance of the premises in accordance with the percentage of the space we occupy. These services are provided at cost. We may terminate a particular service we receive from EchoStar for any reason upon at least 30 days notice. We recorded expenses for these services of $9 million, $8 million and $5 million for the years ended December 31, 2012, 2011 and 2010, respectively.

In April 2012, HNS Americas Comunicacoes LTDA (the "Hughes Brazil"), a wholly-own subsidiary of Hughes Communication, entered into a U.S. dollar denominated loan agreement with EchoStar pursuant to which EchoStar loaned Hughes Brazil approximately $8.1 million (the "EchoStar Loan"). The EchoStar Loan matures in April 2017. Interest is accrued at the rate of 1 year LIBOR, as adjusted on a quarterly basis, plus 1% and is payable quarterly

in cash or capitalized into the outstanding principal amount. In addition, in August 2012, Hughes Brazil entered into a Reais denominated loan agreement with EchoStar do Brazil Participacoes LTDA. (the "EchoStar Brazil"), a wholly-own subsidiary of EchoStar, pursuant to which EchoStar Brazil loaned Hughes Brazil approximately $64.4 million (the "Brazil Loan"). The Brazil Loan matures in March 2013. Interest is accrued at the rate of 1 year LIBOR, as adjusted on a quarterly basis, plus 1% per annum and is payable together with the principal amount. As of December 31, 2012, we have aggregate outstanding loan balances of $73 million, including interest accruals, for the EchoStar Loan and the Brazil Loan included in "Advances from affiliates, net" on our Consolidated Balance Sheets.

DISH Network

In connection with and following the Spin-off, EchoStar and DISH Network have operated as separate public companies and DISH Network has no ownership interest in EchoStar or us. However, a substantial majority of the voting power of the shares of EchoStar and DISH Network is owned beneficially by Charles W. Ergen, our Chairman, or by certain trusts established by Mr. Ergen for the benefit of his family.

EchoStar and DISH Network have entered into certain agreements pursuant to which EchoStar and we obtain certain products, services and rights from DISH Network, DISH Network obtains certain products, services and rights from us and EchoStar, and we and DISH Network have indemnified each other against certain liabilities arising from our respective businesses. EchoStar also may enter into additional agreements with DISH Network in the future.

Generally, the amounts DISH Network pays for products and services provided under the agreements are based on our cost plus a fixed margin (unless noted differently below), which varies depending on the nature of the products and services provided.

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

"Services and other revenue — DISH Network"

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

EchoStar VI, VIII and XII. DISH Network leases certain satellite capacity from us on EchoStar VI, VIII and XII. The leases generally terminate upon the earlier of: (i) the end of life or replacement of the satellite (unless DISH Network determines to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponders on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service, and the exercise of certain renewal options. DISH Network generally has the option to renew each lease on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised.

EchoStar IX. DISH Network leases certain satellite capacity from us on EchoStar IX. Subject to availability, DISH Network generally has the right to continue to lease satellite capacity from us on EchoStar IX on a month-to-month basis.

EchoStar XVI. During December 2009, we entered into an initial ten-year transponder service agreement with EchoStar to lease all of the capacity on EchoStar XVI, a DBS satellite. EchoStar XVI was launched in November 2012 and placed at the 61.5 degree orbital location. Under the original transponder service agreement, the initial term generally expired upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite failed; (iii) the date the transponder(s) on which service was being provided under the agreement failed; or (iv) ten years following the actual service commencement date. Effective December 21, 2012, we and DISH Network amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. Prior to expiration of the initial term, we, upon certain conditions, and DISH

Network have the option to renew for an additional six-year period. If either we or DISH Network exercise our respective six-year renewal options, DISH Network has the option to renew for an additional five-year period prior to expiration of the then-current term. We expect to provide service on EchoStar XVI in the first quarter of 2013. There can be no assurance that any options to renew this agreement will be exercised. DISH Network began making lease payments for satellite capacity to us on EchoStar XVI in January 2013.

EchoStar XV. EchoStar XV is owned by DISH Network and is operated at the 61.5 degree west longitude orbital location. The FCC has granted us a temporary authorization to operate the satellite at the 61.5 degree west longitude orbital location. For so long as EchoStar XV remains in service at the 61.5 degree west longitude orbital location, DISH Network is obligated to pay us a fee for the use of the orbital right which varies depending on the number of frequencies being used by EchoStar XV.

Nimiq 5 Agreement. During 2009, we entered into a fifteen-year satellite service agreement with Telesat Canada (“Telesat”) to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree west longitude orbital location (the “Telesat Transponder Agreement”). During 2009, DISH Network also entered into a satellite service agreement (the “DISH Nimiq 5 Agreement”) with us, pursuant to which they lease 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 2009 when the Nimiq 5 satellite was placed into service and continue through the service term. Unless earlier terminated under the terms and conditions of the DISH Nimiq 5 Agreement, the service term will expire ten years following the date it was placed into service. Upon expiration of the initial term, DISH Network has the option to renew the DISH Nimiq 5 Agreement on a year-to-year basis through the end of life of the Nimiq 5 satellite. Upon in-orbit failure or end of life of the Nimiq 5 satellite, and in certain other circumstances, DISH Network has certain rights to receive service from us on a replacement satellite. There can be no assurance that any options to renew the DISH Nimiq 5 Agreement will be exercised or that DISH Network will exercise its option to receive service on a replacement satellite.

QuetzSat-1 Agreement. During 2008, we entered into a ten-year satellite service agreement with SES, which provides, among other things, for the provision by SES 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 agreed to lease 24 of the DBS transponders on QuetzSat-1 when it is placed into commercial operation at the 77 degree west longitude orbital location. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter of 2011 at the 67.1 degree west longitude orbital location. In the interim, we provided DISH Network with alternate capacity at the 77 degree west longitude orbital location. During the third quarter of 2012, we and DISH Network entered into an agreement pursuant to which we will sublease back from DISH Network five of the 24 DBS transponders on the QuetzSat-1 satellite leased to DISH Network. In January 2013, QuetzSat-1 was moved to the 77 degree west longitude orbital location and commenced commercial operations in February 2013.

Under the terms of our contractual arrangements with DISH Network, we began to provide service to DISH Network on QuetzSat-1 satellite in February 2013 and continuing 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.

TT&C Agreement. In connection with the Spin-off, we entered into a telemetry, tracking and control (“TT&C”) agreement pursuant to which we provided TT&C services to DISH Network for a period that ended on January 1, 2012 (the “Prior TT&C Agreement”). The fees for services provided under the Prior TT&C Agreement were calculated at cost plus a fixed margin. DISH Network was able to terminate the Prior TT&C Agreement for any reason upon 60 days notice.

On January 1, 2012, we entered into a new TT&C agreement pursuant to which we will continue to provide TT&C services to DISH Network and its subsidiaries for a period ending on December 31, 2016 (the “2012 TT&C Agreement”). The

material terms of the 2012 TT&C Agreement are substantially the same as the material terms of the Prior TT&C Agreement, except that the fees for services provided under the 2012 TT&C Agreement are calculated at either: (i) a fixed fee; or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided.

Blockbuster. On April 26, 2011, DISH Network acquired substantially all of the assets of Blockbuster, Inc. (the “Blockbuster Acquisition”). On June 8, 2011, we completed the Hughes Acquisition. Hughes Communications provided certain broadband products and services to Blockbuster pursuant to an agreement that was entered into prior to the Blockbuster Acquisition and the Hughes Acquisition. Subsequent to both the Blockbuster Acquisition and the Hughes Acquisition, Blockbuster entered into a new agreement with Hughes Communications pursuant to which Blockbuster may continue to purchase broadband products and services from the Hughes segment. The term of the agreement is through October 31, 2014 and Blockbuster has the option to renew the agreement for an additional one year period.

Radio Access Network Agreement. On November 29, 2012, Hughes Network Systems, LLC ("HNS"), a wholly-owned subsidiary of Hughes Communications, entered into an agreement with Dish Network L.L.C. pursuant to which HNS will construct for DISH Network a ground-based satellite radio access network ("RAN") for a fixed fee. The completion of the RAN under this agreement is expected to occur on or before November 29, 2014. This agreement generally may be terminated by DISH Network at any time for convenience.

RUS Implementation Agreement. In September 2010, DISH Broadband L.L.C. ("DISH Broadband"), DISH Network's wholly owned subsidiary, was selected by the Rural Utilities Service ("RUS") of the United States Department of Agriculture to receive up to approximately $14 million in broadband stimulus grant funds (the "Grant Funds"). Effective November 2011, Hughes Communications and DISH Broadband entered into a RUS Implementation Agreement (the "RUS Agreement") pursuant to which Hughes Communications provides certain portions of the equipment and broadband service used to implement DISH Broadband's RUS program. The initial term of the RUS Agreement shall continue until the earlier of: (i) September 24, 2013; or (ii) the date that the Grant Funds have been exhausted. In addition, DISH Broadband may terminate the RUS Agreement for convenience upon 45 days prior written notice to Hughes Communications.

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

Hughes Broadband Distribution Agreement. Effective October 1, 2012, HNS and dishNET 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 Hughes Communications a monthly per subscriber wholesale service fee for the Hughes service based upon a subscriber's service level, and, beginning January 1, 2014, based upon certain volume subscription thresholds. The Distribution Agreement also provides that dishNET has the right, but not the obligation, to purchase certain broadband equipment from us to support the sale of Hughes service. The Distribution Agreement has a five year term 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. 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.

"General and administrative expenses — DISH Network"

Management Services Agreement. EchoStar entered into a Management Services Agreement with DISH Network pursuant to which DISH Network makes certain of its officers available to provide services (which are primarily accounting services) to us and EchoStar. Specifically, Paul W. Orban remains employed by DISH Network, but also served as EchoStar's Senior Vice President and Controller through April 2012. EchoStar makes payments to DISH Network based upon an allocable portion

of the personnel costs and expenses incurred by DISH Network with respect to such DISH Network officers (taking into account wages and fringe benefits). These allocations are based upon the estimated percentages of time to be spent by the DISH Network executive officers performing services for us and EchoStar under the Management Services Agreement. EchoStar also reimburses DISH Network for direct out-of-pocket costs incurred by DISH Network for management services provided to us and EchoStar. EchoStar and DISH Network evaluate all charges for reasonableness at least annually and make any adjustments to these charges as EchoStar and DISH Network mutually agreed upon. A portion of these costs and expenses has been allocated to us in the manner described above under the caption "EchoStar."

The Management Services Agreement automatically renewed on January 1, 2013 for an additional one-year period until January 1, 2014 and renews automatically for successive one-year periods thereafter, unless terminated earlier: (i) by us at any time upon at least 30 days notice; (ii) by DISH Network at the end of any renewal term, upon at least 180 days notice; or (iii) by DISH Network upon notice to us, following certain changes in control.

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

Other Agreements — DISH Network

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

D-1. During 2012, HNS entered into a satellite capacity agreement pursuant to which HNS acquired certain satellite capacity from DISH Network on the D-1 satellite. This service agreement terminates upon the earlier of: (i) the end-of-life of the satellite; (ii) the date the satellite fails; (iii) the date the spectrum capacity on which service is being provided under the agreement fails; or (iv) December 31, 2013.

EchoStar I. During 2009, EchoStar entered into a satellite capacity agreement pursuant to which we leased certain satellite capacity from DISH Network on EchoStar I. Effective as of July 1, 2012, EchoStar and DISH Network mutually agreed to terminate this satellite capacity agreement. For the years ended December 31, 2012, 2011 and 2010, the amount of those fees included in "Cost of sales — services and other" on our Consolidated Statements of Operations and Comprehensive Income (Loss) was $8 million, $22 million and $19 million, respectively.

Tax Sharing Agreement. As a subsidiary of EchoStar, we are an indirect party to EchoStar's tax sharing agreement with DISH Network that was entered into in connection with the Spin-off. This agreement governs EchoStar and DISH Network's respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by DISH Network, and DISH Network will indemnify EchoStar for such taxes. However, DISH Network is not liable for and will not indemnify EchoStar for any

taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended because of: (i) a direct or indirect acquisition of any of EchoStar's stock, stock options or assets; (ii) any action that EchoStar takes or fails to take; or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain related transactions. In such case, EchoStar will be solely liable for, and will indemnify DISH Network for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only terminate after the later of the full period of all applicable statutes of limitations, including extensions, or once all rights and obligations are fully effectuated or performed.

DBSD North America Agreement. On March 9, 2012, DISH Network completed its acquisition of 100% of the equity of reorganized DBSD North America. Prior to DISH Network's acquisition of DBSD North America and our completion of the Hughes Acquisition, DBSD North America and HNS entered into an agreement pursuant to which our Hughes segment provides, among other things, hosting, operations and maintenance services of DBSD North America's satellite gateway and associated ground infrastructure. This agreement was renewed for a one year period ending on February 15, 2013, and renews for four successive one-year periods unless terminated by DBSD North America upon at least 30 days notice prior to the expiration of any renewal term.

Hughes Systique Corporation ("Hughes Systique")

We contract with Hughes Systique for software development services. In addition to our 45% ownership in Hughes Systique, Mr. Pradman Kaul, the President of Hughes Communications, Inc. and a member of EchoStar's Board of Directors and his brother, who is the CEO and President of Hughes Systique, in the aggregate, owned approximately 26%, on an undiluted basis, of Hughes Systique's outstanding shares as of December 31, 2012. Furthermore, Mr. Pradman Kaul serves on the board of directors of Hughes Systique. We are considered the "primary beneficiary" of Hughes Systique due to, among other factors, our ability to significantly influence and direct the operating and financial decisions of Hughes Systique and our obligation to provide financial support in the form of term loans. As a result, we are required to consolidate Hughes Systique's financial statements in our consolidated financial statements. During the years ended December 31, 2012, 2011 and 2010, Hughes Systique provided $0.7 million, $0.2 million and zero, respectively, of software development services to EchoStar.

Dish Mexico

During 2008, EchoStar entered into a joint venture for a direct-to-home ("DTH") satellite service in Mexico known as Dish Mexico. Pursuant to these arrangements, we provide certain broadcast services and satellite capacity to Dish Mexico. We recognized $13 million, $9 million and $9 million for the years ended December 31, 2012, 2011 and 2010, respectively, of satellite services revenue from Dish Mexico. As of December 31, 2012 and 2011, our accounts receivable balance due from Dish Mexico was $3 million and $1 million, respectively.

Deluxe /EchoStar LLC

We own 50% of Deluxe /EchoStar LLC ("Deluxe"), a joint venture that we entered into in 2010 to build an advanced digital cinema satellite distribution network targeting delivery to digitally equipped theaters in the U.S. and Canada. Although we do not consolidate Deluxe, we have the ability to significantly influence its operating policies; therefore, we account for our investment in Deluxe using the equity method of accounting. For the years ended December 31, 2012 and 2011, we recognized $1.6 million and $0.2 million, respectively, of revenue from Deluxe for transponders services and the sale of broadband equipment. We did not recognize any revenue from Deluxe in 2010. As of December 31, 2012 and 2011, we have receivables from Deluxe of approximately $0.8 million and $0.2 million, respectively.

Note 17. Supplemental Guarantor and Non-Guarantor Financial Information

Certain of the Company's wholly-owned subsidiaries (together, the "Guarantor Subsidiaries") have fully and unconditionally guaranteed, on a joint and several basis, the obligations of the Company under the Notes, which were issued on June 1, 2011. See Note 9 for further information on the Notes.

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

No condensed consolidating financial information is presented as of any date or for any period prior to January 1, 2011, as the Company had no independent assets or operations, and any subsidiaries of the Company other than the Guarantor Subsidiaries then existing were minor prior to January 1, 2011. As discussed in Note 9, the Secured Indenture and the Unsecured Indenture contain restrictive covenants that, among other things, impose limitations on the ability of the Company and its Restricted Subsidiaries to pay dividends or make distributions, incur additional debt, make certain investments, create liens or enter into sale and leaseback transactions, merge or consolidate with another company, transfer and sell assets, or enter into transactions with affiliates.

The condensed consolidating financial information should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein.

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Condensed Consolidating Balance Sheet as of December 31, 2012
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 24,098	$ 88,623	$ 23,498	$ —	$ 136,219
Marketable investment securities	42,422	—	—	—	42,422
Trade accounts receivable, net	—	127,994	58,854	—	186,848
Trade accounts receivable - DISH Network, net	—	36,153	187	—	36,340
Inventory	—	49,834	9,841	—	59,675
Advances to affiliates, net	502,580	195	5,064	(505,840)	1,999
Other current assets	8	36,255	24,877	—	61,140
Total current assets	569,108	339,054	122,321	(505,840)	524,643
Restricted cash and cash equivalents	12,079	15,036	951	—	28,066
Property and equipment, net	—	2,133,692	25,199	—	2,158,891
Regulatory authorizations	—	491,657	71,055	—	562,712
Goodwill	—	504,173	—	—	504,173
Other intangible assets, net	—	274,914	—	—	274,914
Investment in subsidiaries	—	65,357	—	(65,357)	—
Advances to affiliates	2,447,234	1,716	—	(2,448,950)	—
Other noncurrent assets, net	50,276	106,779	6,083	—	163,138
Total assets	$ 3,078,697	$ 3,932,378	$ 225,609	$ (3,020,147)	$ 4,216,537
Liabilities and Shareholder's Equity (Deficit)					
Trade accounts payable	$ 355	$ 106,177	$ 21,924	$ —	$ 128,456
Trade accounts payable - DISH Network	5	6,317	—	—	6,322
Accrued expenses and other	27,762	93,720	24,525	—	146,007
Advances from affiliates, net	—	556,657	90,893	(582,660)	64,890
Current portion of long-term debt and capital lease obligations	—	62,144	2,274	—	64,418
Total current liabilities	28,122	825,015	139,616	(582,660)	410,093
Long-term debt and capital lease obligations, net of current portion	2,000,000	419,551	694	—	2,420,245
Advances from affiliates	—	2,446,884	10,490	(2,448,950)	8,424
Other long-term liabilities	—	317,749	115	—	317,864
Total HSS shareholder's equity (deficit)	1,050,575	(76,821)	65,357	11,463	1,050,574
Noncontrolling interests	—	—	9,337	—	9,337
Total liabilities and shareholder's equity (deficit)	$ 3,078,697	$ 3,932,378	$ 225,609	$ (3,020,147)	$ 4,216,537

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Condensed Consolidating Balance Sheet as of December 31, 2011
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Assets					
Cash and cash equivalents	$ 70,603	$ 40,854	$ 13,546	$ —	$ 125,003
Marketable investment securities	254,656	6,426	—	—	261,082
Trade accounts receivable, net	—	112,507	59,410	—	171,917
Trade accounts receivable - DISH Network, net	—	33,128	—	—	33,128
Advances to affiliates, net	424,597	—	—	(420,380)	4,217
Inventory	—	39,735	7,823	—	47,558
Other current assets	4,288	49,968	19,883	—	74,139
Total current assets	754,144	282,618	100,662	(420,380)	717,044
Restricted cash and cash equivalents	4,410	17,865	1,265	—	23,540
Property and equipment, net	—	1,995,043	26,862	—	2,021,905
Goodwill	—	516,198	—	—	516,198
Regulatory authorizations	—	465,658	—	—	465,658
Other intangible assets, net	—	341,207	—	—	341,207
Investment in subsidiaries	—	58,861	—	(58,861)	—
Advances to affiliates	2,271,522	—	—	(2,271,522)	—
Other noncurrent assets, net	55,405	102,956	7,046	(2,122)	163,285
Total assets	$ 3,085,481	$ 3,780,406	$ 135,835	$ (2,752,885)	$ 4,248,837
Liabilities and Shareholder's Equity (Deficit)					
Trade accounts payable	$ 39	$ 123,787	$ 18,107	$ —	$ 141,933
Trade accounts payable - DISH Network	5	10,095	—	—	10,100
Advances from affiliates, net	—	432,838	21,594	(454,432)	—
Accrued expenses and other	17,817	133,815	23,927	—	175,559
Current portion of long-term debt and capital lease obligations	—	61,944	1,467	—	63,411
Total current liabilities	17,861	762,479	65,095	(454,432)	391,003
Long-term debt and capital lease obligations, net of current portion	2,000,000	462,565	1,479	—	2,464,044
Advances from affiliates	—	2,271,522	—	(2,271,522)	—
Other long-term liabilities	—	316,585	2,597	(2,122)	317,060
Total HSS shareholder's equity (deficit)	1,067,620	(32,745)	57,554	(24,809)	1,067,620
Noncontrolling interests	—	—	9,110	—	9,110
Total liabilities and shareholder's equity (deficit)	$ 3,085,481	$ 3,780,406	$ 135,835	$ (2,752,885)	$ 4,248,837

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Condensed Consolidating Statement of Operations for the Year Ended December 31, 2012
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 811,158	$ 148,294	$ (17,648)	$ 941,804
Services and other revenue - DISH Network	—	211,281	279	—	211,560
Equipment revenue	—	221,595	53,812	(19,771)	255,636
Equipment revenue - DISH Network	—	23,757	—	—	23,757
Total revenue	—	1,267,791	202,385	(37,419)	1,432,757
Costs and Expenses:					
Costs of sales - services and other	—	395,874	101,264	(17,098)	480,040
Cost of sales - equipment	—	213,682	37,446	(18,438)	232,690
Selling, general and administrative expenses (including DISH Network)	1,263	187,852	35,754	(1,883)	222,986
Research and development expenses	—	21,264	—	—	21,264
Depreciation and amortization	—	344,190	8,177	—	352,367
Impairment of assets	—	22,000	—	—	22,000
Total costs and expenses	1,263	1,184,862	182,641	(37,419)	1,331,347
Operating income (loss)	(1,263)	82,929	19,744	—	101,410
Other Income (expense):					
Interest income	185,087	229	3,051	(186,155)	2,212
Interest expense, net of amounts capitalized	(145,135)	(191,220)	(3,755)	186,155	(153,955)
Equity in earnings (losses) of subsidiaries	(36,876)	11,981	—	24,895	—
Other, net	161	28,362	(1,311)	—	27,212
Total other income (expense), net	3,237	(150,648)	(2,015)	24,895	(124,531)
Income (loss) before income taxes	1,974	(67,719)	17,729	24,895	(23,121)
Income tax benefit (provision), net	(14,165)	31,468	(6,408)	—	10,895
Net income (loss)	(12,191)	(36,251)	11,321	24,895	(12,226)
Less: Net loss attributable to noncontrolling interests	—	—	(35)	—	(35)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net income (loss) attributable to HSS	$ (12,191)	$ (36,251)	$ 11,356	$ 24,895	$ (12,191)
Comprehensive Income (Loss):					
Net income (loss)	$ (12,191)	$ (36,251)	$ 11,321	$ 24,895	$ (12,226)
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments	—	—	(3,278)	—	(3,278)
Unrealized holding gains (losses) on available-for-sale securities and other	1,195	9,775	(34)	—	10,936
Recognition of previously unrealized gains on available-for-sale securities included in net income (loss)	(161)	(13,028)	—	—	(13,189)
Equity in other comprehensive losses of subsidiaries	(6,659)	(3,406)	—	10,065	—
Total other comprehensive loss, net of tax:	(5,625)	(6,659)	(3,312)	10,065	(5,531)
Comprehensive income (loss)	(17,816)	(42,910)	8,009	34,960	(17,757)
Less: Comprehensive income attributable to noncontrolling interests	—	—	59	—	59
Comprehensive income (loss) attributable to HSS	$ (17,816)	$ (42,910)	$ 7,950	$ 34,960	$ (17,816)

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Condensed Consolidating Statement of Operations for the Year Ended December 31, 2011
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Revenue:					
Services and other revenue	$ —	$ 496,285	$ 86,618	$ (8,313)	$ 574,590
Services and other revenue - DISH Network	—	216,100	—	—	216,100
Equipment revenue	—	145,373	33,317	(17,377)	161,313
Equipment revenue - DISH Network	—	600	—	—	600
Total revenue	—	858,358	119,935	(25,690)	952,603
Costs and Expenses:					
Costs of sales - services and other	—	253,057	60,186	(7,591)	305,652
Cost of sales - equipment	—	120,920	23,762	(16,191)	128,491
Selling, general and administrative expenses(including DISH Network)	1,427	128,734	20,133	(1,908)	148,386
Research and development expenses	—	11,668	—	—	11,668
Depreciation and amortization	—	260,633	5,418	—	266,051
Total costs and expenses	1,427	775,012	109,499	(25,690)	860,248
Operating income (loss)	(1,427)	83,346	10,436	—	92,355
Other Income (expense):					
Interest income	98,091	1,452	1,200	(96,984)	3,759
Interest expense, net of amounts capitalized	(84,507)	(99,886)	(934)	96,984	(88,343)
Hughes Acquisition costs	(35,300)	—	—	—	(35,300)
Equity in earnings of subsidiaries	3,881	6,074	—	(9,955)	—
Other, net	6	10,997	(1,214)	—	9,789
Total other expense, net	(17,829)	(81,363)	(948)	(9,955)	(110,095)
Income (loss) before income taxes	(19,256)	1,983	9,488	(9,955)	(17,740)
Income tax benefit (provision), net	5,488	2,434	(3,950)	—	3,972
Net income (loss)	(13,768)	4,417	5,538	(9,955)	(13,768)
Less: Net income attributable to noncontrolling interests	—	—	635	—	635
Net income (loss) attributable to HSS	$ (13,768)	$ 4,417	$ 4,903	$ (9,955)	$ (14,403)
Comprehensive Loss:					
Net income (loss)	$ (13,768)	$ 4,417	$ 5,538	$ (9,955)	$ (13,768)
Other comprehensive loss, net of tax:					
Foreign currency translation adjustments	—	—	(11,340)	—	(11,340)
Unrealized holding gains (losses) on available-for-sale securities	(1,032)	3,254	—	—	2,222
Equity in other comprehensive loss of subsidiaries	(7,517)	(10,771)	—	18,288	—
Total other comprehensive loss, net of tax:	(8,549)	(7,517)	(11,340)	18,288	(9,118)
Comprehensive income (loss)	(22,317)	(3,100)	(5,802)	8,333	(22,886)
Less: Comprehensive loss attributable to noncontrolling interests	—	—	(569)	—	(569)
Comprehensive loss attributable to HSS	$ (22,317)	$ (3,100)	$ (5,233)	$ 8,333	$ (22,317)

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Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2012
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows From Operating Activities:					
Net income (loss)	$ (12,191)	$ (36,251)	$ 11,321	$ 24,895	$ (12,226)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(234,920)	563,217	1,405	(24,895)	304,807
Net cash flows from operating activities	(247,111)	526,966	12,726	—	292,581
Cash Flows From Investing Activities:					
Purchases of marketable investment securities	(92,727)	—	—	—	(92,727)
Sales of marketable investment securities	301,231	16,200	—	—	317,431
Purchases of property and equipment	—	(404,121)	(7,099)	—	(411,220)
Acquisitions of regulatory authorizations	—	(26,000)	(72,477)	—	(98,477)
Change in restricted cash and cash equivalents	(7,669)	2,829	314	—	(4,526)
Other, net	—	(12,772)	—	—	(12,772)
Net cash flows from investing activities	200,835	(423,864)	(79,262)	—	(302,291)
Cash Flows From Financing Activities:					
Repayment of long-term debt and capital lease obligations	—	(54,576)	(1,949)	—	(56,525)
Debt issuance costs	(229)	—	—	—	(229)
Proceeds from issuance of long-term debt	—	7	1,634	—	1,641
Advances from affilates	—	—	72,538	—	72,538
Other	—	(764)	—	—	(764)
Net cash flows from financing activities	(229)	(55,333)	72,223	—	16,661
Effect of exchange rates on cash and cash equivalents	—	—	4,265	—	4,265
Net increase (decrease) in cash and cash equivalents	(46,505)	47,769	9,952	—	11,216
Cash and cash equivalents, at beginning of period	70,603	40,854	13,546	—	125,003
Cash and cash equivalents, at end of period	$ 24,098	$ 88,623	$ 23,498	$ —	$ 136,219

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Condensed Consolidating Statement of Cash Flows for the Year Ended December 31, 2011
(In thousands)

	HSS	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Cash Flows From Operating Activities:					
Net income (loss)	(13,768)	4,417	5,538	(9,955)	(13,768)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	(55,872)	270,453	18,061	9,955	242,597
Net cash flows from operating activities	(69,640)	274,870	23,599	—	228,829
Cash Flows From Investing Activities:					
Purchases of marketable investment securities	(304,863)	—	—	—	(304,863)
Sales of marketable investment securities	510,291	—	—	—	510,291
Purchases of property and equipment	—	(271,716)	(4,056)	—	(275,772)
Acquisition of Hughes Communications, net	—	(2,075,713)	—	—	(2,075,713)
Intercompany note relating to Hughes Acquisition	(2,174,614)	—	—	2,174,614	—
Change in restricted cash and cash equivalents	826	(1,290)	(1,265)	—	(1,729)
Other, net	—	(5,286)	—	—	(5,286)
Net cash flows from investing activities	(1,968,360)	(2,354,005)	(5,321)	2,174,614	(2,153,072)
Cash Flows From Financing Activities:					
Proceeds from issuance of long-term debt	2,000,000	—	—	—	2,000,000
Intercompany note relating to Hughes Acquisition	—	2,174,614	—	(2,174,614)	—
Repayment of long-term debt and capital lease obligations	—	(53,917)	(4,162)	—	(58,079)
Debt issuance costs	(57,825)	—	—	—	(57,825)
Contributions from parent	166,379	—	—	—	166,379
Other	49	(708)	951	—	292
Net cash flows from financing activities	2,108,603	2,119,989	(3,211)	(2,174,614)	2,050,767
Effect of exchange rates on cash and cash equivalents	—	—	(1,627)	—	(1,627)
Net increase in cash and cash equivalents	70,603	40,854	13,440	—	124,897

Cash and cash equivalents, at beginning of period	—	—	106	—	106
Cash and cash equivalents, at end of period	70,603	40,854	13,546	—	125,003

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HUGHES SATELLITE SYSTEMS CORPORATION

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

Our valuation and qualifying accounts as of December 31, 2012, 2011 and 2010 were as follows:

Allowance for doubtful accounts	Balance at Beginning of the Year	Charged to Costs and Expenses	Deductions	Balance at End of Year
		(In thousands)		
For the year ended:				
December 31, 2012	$ 16,769	$ 26,647	$ (28,498)	$ 14,918
December 31, 2011	$ 4,725	$ 18,441	$ (6,397)	$ 16,769
December 31, 2010	$ 2,243	$ 3,268	$ (786)	$ 4,725

First Amendment
To
Satellite Transponder Service Agreement for EchoStar XVI
Between
EchoStar Satellite Operating Corporation
and
DISH Network L.L.C.

This First Amendment (the "First Amendment") to that certain Satellite Transponder Service Agreement for the EchoStar XVI Satellite by and between EchoStar Satellite Operating Corporation ("EchoStar") and DISH Network L.L.C. ("Customer") dated December 21, 2009, (the "Agreement"), shall be effective as of December 21, 2012 (the "First Amendment Effective Date").

WHEREAS, EchoStar and Customer desire to amend the Agreement as described herein;

NOW THEREFORE, in consideration of the premises and mutual undertakings herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, EchoStar and Customer intending to be legally bound, hereby agree as follows:

1. Section 1.2 is hereby deleted in its entirety and the following substituted therefor:

1.2. Term.

(a) Initial Service Term. The initial term for Service provided under this Agreement (the "Initial Service Term") shall commence on the In-Service Date of the Satellite and, except as otherwise provided herein, shall continue, unless terminated earlier in accordance with the terms and conditions of this Agreement, until the earliest of: (i) the End-of-Life or Replacement Date of the Satellite unless EchoStar elects to provide Service on the Replacement Satellite; (ii) the date the Satellite becomes a Satellite Failure; or (iii) four (4) years after the In-Service Date of the Satellite (the "Projected Termination Date").

(b) Customer Initial Renewal Option. The Service Term on the Satellite (provided that a Satellite Failure has not occurred) may be extended at Customer's option (the "Customer Initial Renewal Option") for an additional six-year period (the "Initial Renewal Term"), upon written notice to EchoStar provided at least two hundred seventy (270) days prior to the end of the Initial Service Term (the "Initial Renewal Option

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

Deadline"), provided that, at the time of the Customer Initial Renewal Option, Customer is in full compliance with all of its obligations under this Agreement.

(c) EchoStar Renewal Option. The Service Term on the Satellite may be extended at EchoStar's option (the "EchoStar Renewal Option") for the Initial Renewal Term in the event that prior to the expiration of the Initial Renewal Option Deadline, Customer did not exercise the Customer Initial Renewal Option and ***, provided that, at the time of the EchoStar Renewal Option, EchoStar is in full compliance with its obligations under this Agreement.

(d) Customer Second Renewal Option. If either the Customer Initial Renewal Option or the EchoStar Renewal Option have been exercised, the Service Term on the Satellite (provided that a Satellite Failure has not occurred) may be extended beyond the Initial Renewal Term at Customer's sole option (the "Customer Second Renewal Option") for an additional five-year period (the "Second Renewal Term"), upon written notice to EchoStar provided at least two hundred seventy (270) days prior to the end of the Initial Renewal Term (the "Second Renewal Option Deadline"), provided that, at the time of the Customer Second Renewal Option, Customer is in full compliance with its obligations under this Agreement. The Initial Service Term, the Initial Renewal Term and the Second Renewal Term hereunder are collectively referred to herein as the "Service Term."

(e) ***

2. Section 1.4 is hereby deleted in its entirety and the following substituted therefor:

1.4. Notices. All notices regarding technical or operational matters requiring immediate attention will be given by telephone to the telephone numbers set forth below and shall be followed by written notification. All other notices or requests that are required or permitted to be given hereunder shall be in writing and shall be sent by facsimile transmission, or by first class certified mail, postage prepaid, or by overnight courier service, charges prepaid, to the party to be notified, addressed to such party at the address set forth below, or sent by facsimile to the fax number set forth below, or such other address(es) or fax number(s) as such party may have substituted by written notice to the other party. The sending of such notice with confirmation of receipt thereof (in the case of facsimile transmission) or receipt of such notice (in the case of delivery by mail or by overnight courier service) shall constitute the giving thereof.

If to be given to Customer: If to be given to EchoStar:

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

Attn: ***

DISH Network L.L.C.

9601 South Meridian Blvd.
Englewood, Colorado 80112

Fax#: ***

cc: DISH Network L.L.C.

Attention: Office of the General Counsel
Same address as above
Fax #: ***

Attn: ***

EchoStar Satellite Operating Corporation

100 Inverness Terrace East
Englewood, Colorado 80112

Fax #: ***

cc: EchoStar Satellite Operating Corporation

Attention: Office of the General Counsel
Same address as above
Fax #: ***

Customer's 24 Hour Emergency Telephone # for Technical/Operational Issues:

Tel #: ***

EchoStar's 24 Hour Emergency Telephone # for Technical/Operational Issues:

Tel #: ***

3. New Section 2.5 is hereby added to the Agreement, as follows:

2.5 ***

4. New Section 2.6 is hereby added to the Agreement, as follows:

2.6 ***

5. New Section 7.3 is hereby added to the Agreement, as follows:

7.3 ***

6. Attachment C. Attachment C is hereby deleted in its entirety and Attachment C attached hereto is substituted therefor.

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

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7. No Other Amendment. Except as expressly set forth herein, all of the terms and conditions of the Agreement shall remain in full force and effect, without any change whatsoever.

8. Counterparts. This First Amendment may be executed in two (2) or more counterparts, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Facsimile signatures shall be deemed originals.

9. Capitalized Terms. Capitalized terms used herein, but not otherwise defined, shall have the meaning ascribed to them in the Agreement.

10. Conflict. This First Amendment shall only by effective as of, and its terms and conditions apply to the period on and after the First Amendment Effective Date. With respect to the period prior to the First Amendment Effective Date, in the event there is any conflict between the terms and conditions of this First Amendment and the terms and conditions of the Agreement, the terms and conditions of the Agreement will prevail. With respect to the period on and after the First Amendment Effective Date, in the event there is any conflict between the terms and conditions of this First Amendment and the terms and conditions of the Agreement, the terms and conditions of this First Amendment will prevail.

11. Entire Agreement. The Agreement, including any Exhibits or Attachments to the Agreement, and this First Amendment constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all previous agreements, oral or written, between the parties concerning the subject matter hereof. No modification or amendment of the terms of the Agreement or this First Amendment shall be effective except by a writing executed by both parties.

[SIGNATURE PAGE FOLLOWS]

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this First Amendment as of the First Amendment Effective Date.

ECHOSTAR SATELLITE OPERATING CORPORATION

By: /s/ Kenneth Carroll
Name: Kenneth Carroll
Title: Executive Vice President

DISH NETWORK L.L.C.

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

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

Attachment C

EchoStar XVI MRC Calculation

***

***Certain confidential portions of this exhibit were omitted by means of redacting a portion of the text. Copies of the exhibit containing the redacted portions have been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act.

EXHIBIT 31.1

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 Hughes Satellite Systems Corporation;

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

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

4. The registrant's other certifying officer 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.

5. The registrant's other certifying officer 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 20, 2013

/s/ Michael T. Dugan
Chief Executive Officer, President and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, David J. Rayner, certify that:

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

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

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

4. The registrant's other certifying officer 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.

5. The registrant's other certifying officer 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 20, 2013

/s/ David J. Rayner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

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

In connection with the annual report for the year ended December 31, 2012 on Form 10-K (the “Annual Report”), of Hughes Satellite Systems Corporation (the “Company”) as filed with the Securities and Exchange Commission on the date hereof, we, Michael T. Dugan and David J. Rayner, Chief Executive Officer and Chief Financial Officer, respectively, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant 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 20, 2013

/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 and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of this 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.