

DISH Network CORP
Form 10-Q
November 09, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015.

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____ .

Commission File Number: 0-26176

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DISH Network Corporation

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

88-0336997
(I.R.S. Employer Identification No.)

9601 South Meridian Boulevard
Englewood, Colorado
(Address of principal executive offices)

80112
(Zip code)

(303) 723-1000

(Registrant's telephone number, including area code)

Not Applicable

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of October 30, 2015, the registrant's outstanding common stock consisted of 224,799,995 shares of Class A common stock and 238,435,208 shares of Class B common stock.

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PART I — FINANCIAL INFORMATION

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

Competition and Economic Risks Affecting our Business

- We face intense and increasing competition from satellite television providers, cable companies and telecommunications companies, especially as the pay-TV industry has matured, which may require us to further increase subscriber acquisition and retention spending or accept lower subscriber activations and higher subscriber churn.
- Competition from digital media companies that provide or facilitate the delivery of video content via the Internet may reduce our gross new subscriber activations and may cause our subscribers to purchase fewer services from us or to cancel our services altogether, resulting in less revenue to us.
- Economic weakness and uncertainty may adversely affect our ability to grow or maintain our business.
- Our competitors may be able to leverage their relationships with programmers to reduce their programming costs and offer exclusive content that will place them at a competitive advantage to us.
- As a new service offering, our over-the-top (“OTT”) Sling TV Internet-based services face certain risks, including, among others, significant competition.

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

Operational and Service Delivery Risks Affecting our Business

- If we do not continue improving our operational performance and customer satisfaction, our gross new subscriber activations may decrease and our subscriber churn may increase.
- If our gross new subscriber activations decrease, or if our subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.
- Programming expenses are increasing and could adversely affect our future financial condition and results of operations.
- We depend on others to provide the programming that we offer to our subscribers and, if we lose access to this programming, our gross new subscriber activations may decline and our subscriber churn may increase.

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- We may not be able to obtain necessary retransmission consent agreements at acceptable rates, or at all, from local network stations.
- We may be required to make substantial additional investments to maintain competitive programming offerings.
- Any failure or inadequacy of our information technology infrastructure and communications systems could disrupt or harm our business.
- We currently depend on EchoStar Corporation and its subsidiaries, or EchoStar, to design, develop and manufacture substantially all of our new set-top boxes and certain related components, to provide the vast majority of our transponder capacity, to provide digital broadcast operations and other services to us, and to provide the IPTV streaming technology for our Sling TV services. Our business would be adversely affected if EchoStar ceases to provide these products and services to us and we are unable to obtain suitable replacement products and services from third parties.
- We operate in an extremely competitive environment and our success may depend in part on our timely introduction and implementation of, and effective investment in, new competitive products and services, the failure of which could negatively impact our business.
- Technology in our industry changes rapidly and our inability to offer new subscribers and upgrade existing subscribers with more advanced equipment could cause our products and services to become obsolete.
- We rely on a single vendor or a limited number of vendors to provide certain key products or services to us such as information technology support, billing systems, and security access devices, and the inability of these key vendors to meet our needs could have a material adverse effect on our business.
- Our primary supplier of new set-top boxes, EchoStar, relies on a few suppliers and in some cases a single supplier, for many components of our new set-top boxes, and any reduction or interruption in supplies or significant increase in the price of supplies could have a negative impact on our business.
- Our programming signals are subject to theft, and we are vulnerable to other forms of fraud that could require us to make significant expenditures to remedy.
- We depend on third parties to solicit orders for our services that represent a significant percentage of our total gross new subscriber activations.
- We have limited satellite capacity and failures or reduced capacity could adversely affect our business.

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- Our owned and leased satellites are subject to construction, launch, operational and environmental risks that could limit our ability to utilize these satellites.
- We generally do not carry commercial insurance for any of the in-orbit satellites that we use, other than certain satellites leased from third parties, and could face significant impairment charges if any of our owned satellites fail.
- We may have potential conflicts of interest with EchoStar due to our common ownership and management.
- We rely on key personnel and the loss of their services may negatively affect our businesses.

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Acquisition and Capital Structure Risks Affecting our Business

- We have made substantial investments to acquire certain wireless spectrum licenses and other related assets. In addition, we have made substantial non-controlling investments in the Northstar Entities and the SNR Entities related to the AWS-3 Auction.
- To the extent that we commercialize our wireless spectrum licenses, we will face certain risks entering and competing in the wireless services industry and operating a wireless services business.
- We face certain risks related to our non-controlling investments in the Northstar Entities and the SNR Entities, which may have a material adverse effect on our business, results of operations and financial condition.
- We may pursue acquisitions and other strategic transactions to complement or expand our businesses that may not be successful and we may lose up to the entire value of our investment in these acquisitions and transactions.
- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our businesses and to finance acquisitions and other strategic transactions.
- From time to time a portion of our investment portfolio may be invested in securities that have limited liquidity and may not be immediately accessible to support our financing needs, including investments in public companies that are highly speculative and have experienced and continue to experience volatility.
- We have substantial debt outstanding and may incur additional debt.
- It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders, because of our ownership structure.
- We are controlled by one principal stockholder who is also our Chairman, President and Chief Executive Officer.

Legal and Regulatory Risks Affecting our Business

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

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

- Our ability to distribute video content via the Internet, including our Sling TV services, involves regulatory risk.
- Changes in the Cable Act of 1992 (“Cable Act”), and/or the rules of the Federal Communications Commission (“FCC”) that implement the Cable Act, may limit our ability to access programming from cable-affiliated programmers at nondiscriminatory rates.
- The injunction against our retransmission of distant networks, which is currently waived, may be reinstated.
- We are subject to significant regulatory oversight, and changes in applicable regulatory requirements, including any adoption or modification of laws or regulations relating to the Internet, could adversely affect our business.
- Our business depends on FCC licenses that can expire or be revoked or modified and applications for FCC licenses that may not be granted.

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- We are subject to digital high-definition (“HD”) “carry-one, carry-all” requirements that cause capacity constraints.
- Our business, investor confidence in our financial results and stock price may be adversely affected if our internal controls are not effective.
- We may face other risks described from time to time in periodic and current reports we file with the Securities and Exchange Commission, or SEC.

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

Unless otherwise required by the context, in this report, the words “DISH Network,” the “Company,” “we,” “our” and “us” refer to DISH Network Corporation and its subsidiaries, “EchoStar” refers to EchoStar Corporation and its subsidiaries, and “DISH DBS” refers to DISH DBS Corporation and its subsidiaries, a wholly-owned, indirect subsidiary of DISH Network.

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Item 1. FINANCIAL STATEMENTS

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

(Unaudited)

	As of September 30, 2015	December 31, 2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,244,381	\$ 7,104,496
Marketable investment securities	368,651	2,131,745
Trade accounts receivable - other, net of allowance for doubtful accounts of \$17,583 and \$23,603, respectively	868,136	920,103
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero	37,005	31,390
Inventory	408,624	493,754
Deferred tax assets	25,667	25,667
Derivative financial instruments (Note 2)	566,650	383,460
FCC auction deposits	9,995,567	1,320,000
Other current assets	111,132	167,119
Total current assets	13,625,813	12,577,734
Noncurrent Assets:		
Restricted cash and marketable investment securities	82,495	86,984
Property and equipment, net	3,754,714	3,773,539
FCC authorizations	4,968,171	4,968,171
Other investment securities	327,250	327,250
Other noncurrent assets, net	344,516	337,530
Total noncurrent assets	9,477,146	9,493,474
Total assets	\$ 23,102,959	\$ 22,071,208
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Trade accounts payable - other	\$ 197,536	\$ 165,324
Trade accounts payable - EchoStar	247,448	251,669
Deferred revenue and other	894,720	891,373
Accrued programming	1,583,988	1,376,130
Accrued interest	201,479	227,158
Other accrued expenses	607,401	519,404
Current portion of long-term debt and capital lease obligations	1,533,339	681,467

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Total current liabilities	5,265,911	4,112,525
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	12,228,276	13,746,059
Deferred tax liabilities	2,071,574	1,882,711
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	407,336	276,281
Total long-term obligations, net of current portion	14,707,186	15,905,051
Total liabilities	19,973,097	20,017,576
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interests (Note 2)	274,344	41,498
Stockholders' Equity (Deficit):		
Class A common stock, \$.01 par value, 1,600,000,000 shares authorized, 280,915,345 and 279,406,646 shares issued, 224,797,085 and 223,288,386 shares outstanding, respectively	2,809	2,794
Class B common stock, \$.01 par value, 800,000,000 shares authorized, 238,435,208 shares issued and outstanding	2,384	2,384
Additional paid-in capital	2,751,599	2,678,791
Accumulated other comprehensive income (loss)	72,200	174,507
Accumulated earnings (deficit)	1,596,379	723,992
Treasury stock, at cost	(1,569,459)	(1,569,459)
Total DISH Network stockholders' equity (deficit)	2,855,912	2,013,009
Noncontrolling interests	(394)	(875)
Total stockholders' equity (deficit)	2,855,518	2,012,134
Total liabilities and stockholders' equity (deficit)	\$ 23,102,959	\$ 22,071,208

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

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DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)

(Dollars in thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue:				
Subscriber-related revenue	\$ 3,704,259	\$ 3,647,850	\$ 11,199,205	\$ 10,849,138
Equipment sales and other revenue	16,641	16,268	52,056	64,786
Equipment sales, services and other revenue - EchoStar	12,665	15,233	38,957	47,744
Total revenue	3,733,565	3,679,351	11,290,218	10,961,668
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):				
Subscriber-related expenses	2,182,117	2,132,583	6,589,372	6,305,951
Satellite and transmission expenses	195,468	181,230	576,752	511,683
Cost of sales - equipment, services and other	18,787	24,240	73,087	82,198
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	52,107	58,608	160,496	189,793
Other subscriber acquisition costs	250,852	264,200	678,424	770,487
Subscriber acquisition advertising	153,663	163,715	429,094	431,851
Total subscriber acquisition costs	456,622	486,523	1,268,014	1,392,131
General and administrative expenses	186,654	196,376	562,128	589,149
Depreciation and amortization (Note 8)	252,197	269,890	761,295	791,005
Total costs and expenses	3,291,845	3,290,842	9,830,648	9,672,117
Operating income (loss)	441,720	388,509	1,459,570	1,289,551
Other Income (Expense):				
Interest income	3,273	14,109	15,383	46,485
Interest expense, net of amounts capitalized	(142,834)	(143,405)	(451,898)	(472,168)
Other, net	28,782	(56,089)	284,549	(52,444)
Total other income (expense)	(110,779)	(185,385)	(151,966)	(478,127)
Income (loss) before income taxes	330,941	203,124	1,307,604	811,424
Income tax (provision) benefit, net	(128,331)	(60,089)	(419,416)	(290,443)
Net income (loss)	202,610	143,035	888,188	520,981
	6,131	(2,484)	15,801	(13,782)

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Less: Net income (loss) attributable to noncontrolling interests, net of tax				
Net income (loss) attributable to DISH Network	\$ 196,479	\$ 145,519	\$ 872,387	\$ 534,763
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	463,190	460,754	462,740	459,688
Diluted	464,702	463,202	464,598	462,537
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	\$ 0.42	\$ 0.32	\$ 1.89	\$ 1.16
Diluted net income (loss) per share attributable to DISH Network	\$ 0.42	\$ 0.31	\$ 1.88	\$ 1.16
Comprehensive Income (Loss):				
Net income (loss)	\$ 202,610	\$ 143,035	\$ 888,188	\$ 520,981
Other comprehensive income (loss):				
Foreign currency translation adjustments	—	—	—	3,878
Unrealized holding gains (losses) on available-for-sale securities	(15,829)	(38,502)	30,998	(18,933)
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(78)	1,784	(93,875)	1,722
Deferred income tax (expense) benefit, net	5,942	13,421	(39,430)	6,293
Total other comprehensive income (loss), net of tax	(9,965)	(23,297)	(102,307)	(7,040)
Comprehensive income (loss)	192,645	119,738	785,881	513,941
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax	6,131	(2,484)	15,801	(13,782)
Comprehensive income (loss) attributable to DISH Network	\$ 186,514	\$ 122,222	\$ 770,080	\$ 527,723

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

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DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Nine Months Ended September 30,	
	2015	2014
Cash Flows From Operating Activities:		
Net income (loss)	\$ 888,188	\$ 520,981
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	761,295	791,005
Realized and unrealized losses (gains) on investments	(291,438)	45,498
Non-cash, stock-based compensation	17,714	24,958
Deferred tax expense (benefit)	157,183	68,050
Change in long-term deferred revenue, distribution and carriage payments and other long-term liabilities	130,107	78,543
Other, net	11,741	63,524
Changes in current assets and current liabilities, net	555,247	194,121
Net cash flows from operating activities from continuing operations	2,230,037	1,786,680
Net cash flows from operating activities from discontinued operations, net	—	(30,007)
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(179,296)	(3,796,993)
Sales and maturities of marketable investment securities	1,987,485	4,430,261
Purchases of property and equipment	(793,302)	(917,456)
Purchases of FCC authorizations - H Block wireless spectrum licenses (Note 10)	—	(1,343,372)
AWS-3 FCC license deposits (Note 10)	(9,075,567)	—
AWS-3 FCC deposit refund (Note 10)	400,000	—
Other, net	3,594	43,849
Net cash flows from investing activities from continuing operations	(7,657,086)	(1,583,711)
Net cash flows from investing activities from discontinued operations, net, including \$0 and \$0 of purchases of property and equipment, respectively	—	20,847
Cash Flows From Financing Activities:		
Redemption and repurchases of long-term debt	(650,001)	(199,999)
Capital contributions from Northstar Manager and SNR Management (Note 10)	204,200	—
Repayment of long-term debt and capital lease obligations	(23,470)	(23,500)
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	21,285	37,352

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Other, net	14,920	33,712
Net cash flows from financing activities from continuing operations	(433,066)	(152,435)
Net increase (decrease) in cash and cash equivalents from continuing operations	(5,860,115)	50,534
Cash and cash equivalents, beginning of period from continuing operations	7,104,496	4,700,022
Cash and cash equivalents, end of period from continuing operations	\$ 1,244,381	\$ 4,750,556
Net increase (decrease) in cash and cash equivalents from discontinued operations	—	(9,160)
Cash and cash equivalents, beginning of period from discontinued operations	—	9,160
Cash and cash equivalents, end of period from discontinued operations	\$ —	\$ —

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

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Business Activities

Principal Business

DISH Network Corporation is a holding company. Its subsidiaries (which together with DISH Network Corporation are referred to as “DISH Network,” the “Company,” “we,” “us” and/or “our,” unless otherwise required by the context) operate two primary business segments.

DISH

We offer pay-TV services under the DISH® brand (“DISH”) and the Sling® brand (“Sling”) (collectively “Pay-TV” services). The DISH branded pay-TV service consists of, among other things, Federal Communications Commission (“FCC”) licenses authorizing us to use direct broadcast satellite (“DBS”) and Fixed Satellite Service (“FSS”) spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, a leased fiber optic network, in-home service and call center operations, and certain other assets utilized in our operations. The Sling branded pay-TV services consist of, among other things, live, linear streaming over-the-top (“OTT”) Internet-based domestic, international and Latino video programming services (“Sling TV”). Prior to 2015, we launched our Sling International video programming service (formerly known as DishWorld). Sling International subscribers have historically been included in our Pay-TV subscriber count and represented a small percentage of our Pay-TV subscribers. During 2015, we launched our Sling domestic and Sling Latino services, and these Sling TV subscribers are also included in our Pay-TV subscriber count. As of September 30, 2015, we had 13.909 million Pay-TV subscribers in the United States.

In addition, we market broadband services under the dishNET™ brand, which had 0.608 million subscribers in the United States as of September 30, 2015. Our satellite broadband service utilizes advanced technology and high-powered satellites launched by Hughes Communications, Inc. (“Hughes”) and ViaSat, Inc. (“ViaSat”) to provide broadband coverage nationwide. This service primarily targets rural residents that are underserved, or unserved, by wireline broadband. In addition to the dishNET branded satellite broadband service, we also offer wireline voice and broadband services under the dishNET brand as a competitive local exchange carrier to consumers living in a 14-state region in the western United States. We primarily bundle our dishNET branded services with our DISH branded pay-TV service.

Wireless

DISH Network Spectrum

We have invested over \$5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. These wireless spectrum licenses are subject to certain interim and final build-out requirements. As we review our options for the commercialization of our wireless spectrum, we may incur significant additional expenses and may have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure, as well as the acquisition of additional wireless spectrum.

DISH Network Non-Controlling Investments in AWS-3 Spectrum

Through our wholly-owned subsidiaries American AWS-3 Wireless II L.L.C. (“American II”) and American AWS-3 Wireless III L.L.C. (“American III”), we have made certain non-controlling investments in Northstar Spectrum, LLC (“Northstar Spectrum”), the parent company of Northstar Wireless, LLC (“Northstar Wireless,” and collectively with Northstar Spectrum, the “Northstar Entities”), and in SNR Wireless HoldCo, LLC (“SNR HoldCo”), the parent company of SNR Wireless LicenseCo, LLC (“SNR Wireless,” and collectively with SNR HoldCo, the “SNR Entities”), respectively. Northstar Wireless and SNR Wireless each filed applications with the FCC to participate in Auction 97 (the “AWS-3 Auction”) for the purpose of acquiring certain AWS-3 wireless spectrum licenses (the “AWS-3 Licenses”). Each of Northstar Wireless and SNR Wireless applied to receive bidding credits of 25% as designated entities under

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

applicable FCC rules. In February 2015, one of our wholly-owned subsidiaries received a refund from the FCC of its \$400 million upfront payment related to the AWS-3 Auction.

Northstar Wireless was the winning bidder for AWS-3 Licenses with gross winning bid amounts totaling approximately \$7.845 billion, which after taking into account a 25% bidding credit, is approximately \$5.884 billion. SNR Wireless was the winning bidder for AWS-3 Licenses with gross winning bid amounts totaling approximately \$5.482 billion, which after taking into account a 25% bidding credit, is approximately \$4.112 billion. In addition to the net winning bids, SNR Wireless made a bid withdrawal payment of approximately \$8 million.

On August 18, 2015, the FCC released a Memorandum Opinion and Order, FCC 15-104 (the "Order") in which the FCC determined, among other things, that DISH Network has a controlling interest in, and is an affiliate of, Northstar Wireless and SNR Wireless, and therefore DISH Network's revenues should be attributed to them, which in turn makes Northstar Wireless and SNR Wireless ineligible to receive the 25% bidding credits (approximately \$1.961 billion for Northstar Wireless and \$1.370 billion for SNR Wireless) (each a "Bidding Credit Amount" and collectively the "Bidding Credit Amounts"). Each of Northstar Wireless and SNR Wireless has filed a notice of appeal and petition for review of the Order with the United States Court of Appeals for the District of Columbia, challenging, among other things, the FCC's determination that they are ineligible to receive the Bidding Credit Amounts. We cannot predict with any degree of certainty the timing or outcome of these proceedings.

On October 1, 2015, DISH Network, American II, American III, Northstar Wireless, SNR Wireless, and certain other entities holding certain interests in Northstar Wireless and SNR Wireless, entered into a series of arrangements with respect to the AWS-3 Licenses, as further described below.

Letters Exchanged between Northstar Wireless and the FCC Wireless Bureau. As outlined in letters exchanged between Northstar Wireless and the Wireless Telecommunications Bureau of the FCC (the "FCC Wireless Bureau"), Northstar Wireless paid the gross winning bid amounts for 261 AWS-3 Licenses (the "Northstar Licenses") totaling approximately \$5.619 billion through the application of funds already on deposit with the FCC. Northstar Wireless also notified the FCC that it would not be paying the gross winning bid amounts for 84 AWS-3 Licenses totaling approximately \$2.226 billion.

As a result of the nonpayment of those gross winning bid amounts, the FCC retained those licenses and Northstar Wireless owed the FCC an additional interim payment of approximately \$334 million (the "Northstar Interim Payment"), which is equal to 15% of \$2.226 billion. The Northstar Interim Payment will be recorded during the fourth

quarter 2015 as an expense on our Consolidated Statements of Operations and Comprehensive Income (Loss).

Northstar Wireless immediately satisfied the Northstar Interim Payment through the application of funds already on deposit with the FCC and an additional loan from American II of approximately \$69 million. As a result, the FCC will not deem Northstar Wireless to be a “current defaulter” under applicable FCC rules.

In addition, the FCC Wireless Bureau acknowledged that Northstar Wireless’ nonpayment of those gross winning bid amounts does not constitute action involving gross misconduct, misrepresentation or bad faith. Therefore, the FCC concluded that such nonpayment will not affect the eligibility of Northstar Wireless, its investors (including DISH Network) or their respective affiliates to participate in future spectrum auctions (including the broadcast television spectrum incentive auction (“Auction 1000”) and any re-auction of the AWS-3 Licenses retained by the FCC). At this time, DISH Network (through itself, a subsidiary or another entity in which it may hold a direct or indirect interest) expects to participate in any re-auction of those AWS-3 Licenses.

If the winning bids from re-auction or other award of the AWS-3 Licenses retained by the FCC are greater than or equal to the winning bids of Northstar Wireless, no additional amounts will be owed to the FCC. However, if those winning bids are less than the winning bids of Northstar Wireless, then Northstar Wireless will be responsible for the difference less any overpayment of the Northstar Interim Payment (which will be recalculated as 15% of the winning bids from re-

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auction or other award) (the “Northstar Re-Auction Payment”). For example, if the winning bids in a re-auction are \$1, the Northstar Re-Auction Payment would be approximately \$1.892 billion, which is calculated as the difference between \$2.226 billion (the Northstar winning bid amounts) and \$1 (the winning bids from re-auction) less the resulting \$334 million overpayment of the Northstar Interim Payment. As discussed above, at this time, DISH Network (through itself, a subsidiary or another entity in which it may hold a direct or indirect interest) expects to participate in any re-auction. We cannot predict with any degree of certainty the timing or outcome of any re-auction or the amount of any Northstar Re-Auction Payment.

Letters Exchanged between SNR Wireless and the FCC Wireless Bureau. As outlined in letters exchanged between SNR Wireless and the FCC Wireless Bureau, SNR Wireless paid the gross winning bid amounts for 244 AWS-3 Licenses (the “SNR Licenses”) totaling approximately \$4.271 billion through the application of funds already on deposit with the FCC and a portion of an additional loan from American III in an aggregate amount of approximately \$344 million (which included an additional bid withdrawal payment of approximately \$3 million). SNR Wireless also notified the FCC that it would not be paying the gross winning bid amounts for 113 AWS-3 Licenses totaling approximately \$1.211 billion.

As a result of the nonpayment of those gross winning bid amounts, the FCC retained those licenses and SNR Wireless owed the FCC an additional interim payment of approximately \$182 million (the “SNR Interim Payment”), which is equal to 15% of \$1.211 billion. The SNR Interim Payment will be recorded during the fourth quarter 2015 as an expense on our Consolidated Statements of Operations and Comprehensive Income (Loss). SNR Wireless immediately satisfied the SNR Interim Payment through a portion of an additional loan from American III in an aggregate amount of approximately \$344 million. As a result, the FCC will not deem SNR Wireless to be a “current defaulter” under applicable FCC rules.

In addition, the FCC Wireless Bureau acknowledged that SNR Wireless’ nonpayment of those gross winning bid amounts does not constitute action involving gross misconduct, misrepresentation or bad faith. Therefore, the FCC concluded that such nonpayment will not affect the eligibility of SNR Wireless, its investors (including DISH Network) or their respective affiliates to participate in future spectrum auctions (including Auction 1000 and any re-auction of the AWS-3 Licenses retained by the FCC). At this time, DISH Network (through itself, a subsidiary or another entity in which it may hold a direct or indirect interest) expects to participate in any re-auction of those AWS-3 Licenses.

If the winning bids from re-auction or other award of the AWS-3 Licenses retained by the FCC are greater than or equal to the winning bids of SNR Wireless, no additional amounts will be owed to the FCC. However, if those winning bids are less than the winning bids of SNR Wireless, then SNR Wireless will be responsible for the difference

less any overpayment of the SNR Interim Payment (which will be recalculated as 15% of the winning bids from re-auction or other award) (the “SNR Re-Auction Payment”). For example, if the winning bids in a re-auction are \$1, the SNR Re-Auction Payment would be approximately \$1.029 billion, which is calculated as the difference between

\$1.211 billion (the SNR winning bid amounts) and \$1 (the winning bids from re-auction) less the resulting \$182 million overpayment of the SNR Interim Payment. As discussed above, at this time, DISH Network (through itself, a subsidiary or another entity in which it may hold a direct or indirect interest) expects to participate in any re-auction. We cannot predict with any degree of certainty the timing or outcome of any re-auction or the amount of any SNR Re-Auction Payment.

After Northstar Wireless and SNR Wireless satisfied their respective payments to the FCC on October 1, 2015 for the Northstar Licenses and the SNR Licenses, and the Northstar Interim Payment and the SNR Interim Payment (which included an additional bid withdrawal payment), our total non-controlling debt and equity investments in the Northstar Entities and the SNR Entities for payments to the FCC related to the AWS-3 Licenses were approximately \$10.191 billion. Under the applicable accounting guidance in Accounting Standards Codification 810, Consolidation (“ASC 810”), Northstar Spectrum and SNR HoldCo are considered variable interest entities and, based on the characteristics of the structure of these entities and in accordance with the applicable accounting guidance, we have consolidated these entities into our financial statements beginning in the fourth quarter 2014. See Note 2 for further discussion.

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On October 27, 2015, the FCC granted the Northstar Licenses to Northstar Wireless and the SNR Licenses to SNR Wireless, respectively. The AWS-3 Licenses are subject to certain interim and final build-out requirements. By October 2021, Northstar Wireless and SNR Wireless must provide reliable signal coverage and offer service to at least 40% of the population in each area covered by an individual AWS-3 License (the “AWS-3 Interim Build-Out Requirement”). By October 2027, Northstar Wireless and SNR Wireless must provide reliable signal coverage and offer service to at least 75% of the population in each area covered by an individual AWS-3 License (the “AWS-3 Final Build-Out Requirement”). If Northstar Wireless or SNR Wireless fails to meet the AWS-3 Interim Build-Out Requirement, the AWS-3 License term and the AWS-3 Final Build-Out Requirement may be accelerated by two years (from October 2027 to October 2025) for each AWS-3 License area in which it fails to meet the requirement. If Northstar Wireless or SNR Wireless fails to meet the AWS-3 Final Build-Out Requirement, its authorization for each AWS-3 License area in which it fails to meet the requirement may terminate.

See Note 10 for further discussion.

2.Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

We consolidate all majority owned subsidiaries, investments in entities in which we have controlling influence and variable interest entities where we have been determined to be the primary beneficiary. Minority interests are recorded as noncontrolling interests or redeemable noncontrolling interests. See below for further discussion. 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.

Redeemable Noncontrolling Interests

Sling TV. Sling TV Holding L.L.C. (“Sling TV Holding,” formerly known as DISH Digital Holding L.L.C.) has been consolidated into our financial statements since July 1, 2012. Effective August 1, 2014, EchoStar Corporation (“EchoStar”) and Sling TV Holding entered into an exchange agreement (the “Exchange Agreement”) pursuant to which, among other things, Sling TV Holding distributed certain assets to EchoStar and EchoStar reduced its interest in Sling TV Holding to a ten percent non-voting interest. EchoStar’s ten percent non-voting interest is redeemable, subject to certain conditions, at fair value within sixty days following the fifth anniversary of the Exchange Agreement. This interest is considered temporary equity and is recorded as “Redeemable noncontrolling interest” in the mezzanine section of our Condensed Consolidated Balance Sheets. EchoStar’s redeemable noncontrolling interest in Sling TV Holding was initially accounted for at fair value, which established a minimum threshold value for this interest.

Redemption of

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the interest is contingent on a certain performance goal being achieved by Sling TV Holding, which was determined to be probable as of September 30, 2015. Accordingly, the value of EchoStar's redeemable noncontrolling interest in Sling TV Holding will be adjusted each reporting period for any change in redemption value above the minimum threshold through "Redeemable noncontrolling interest," with the offset recorded in "Additional paid-in capital," net of deferred taxes, on our Condensed Consolidated Balance Sheets. In addition, the operating results of Sling TV Holding attributable to EchoStar are recorded as "Redeemable noncontrolling interest" in our Condensed Consolidated Balance Sheets effective August 1, 2014, with the offset recorded in "Income (loss) attributable to noncontrolling interests, net of tax" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 12 for further discussion on Sling TV Holding and the Exchange Agreement.

Northstar Wireless. Northstar Wireless is a wholly-owned subsidiary of Northstar Spectrum, which is an entity owned by Northstar Manager, LLC ("Northstar Manager") and us. Under the applicable accounting guidance in ASC 810, Northstar Spectrum is considered a variable interest entity and, based on the characteristics of the structure of this entity and in accordance with the applicable accounting guidance, we have consolidated Northstar Spectrum into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of the Northstar Licenses (and in certain circumstances, prior to the five-year anniversary of the grant of the Northstar Licenses), Northstar Manager has the ability, but not the obligation, to require Northstar Spectrum to purchase Northstar Manager's ownership interests in Northstar Spectrum (the "Northstar Put Right") for a purchase price that generally equals its equity contribution to Northstar Spectrum plus a fixed annual rate of return. In the event that the Northstar Put Right is exercised by Northstar Manager, the consummation of the sale will be subject to FCC approval. Northstar Spectrum does not have a call right with respect to Northstar Manager's ownership interests in Northstar Spectrum. Although Northstar Manager is the sole manager of Northstar Spectrum, Northstar Manager's ownership interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of "Redeemable noncontrolling interest" in the mezzanine section of our Condensed Consolidated Balance Sheets. Northstar Manager's ownership interest in Northstar Spectrum was initially accounted for at fair value. Subsequently, Northstar Manager's ownership interest in Northstar Spectrum is increased by the fixed annual rate of return through "Redeemable noncontrolling interest" in our Condensed Consolidated Balance Sheets, with the offset recorded in "Net income (loss) attributable to noncontrolling interest, net of tax" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The operating results of Northstar Spectrum attributable to Northstar Manager are recorded as "Redeemable noncontrolling interest" in our Condensed Consolidated Balance Sheets, with the offset recorded in "Net income (loss) attributable to noncontrolling interests, net of tax" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 10 for further discussion on Northstar Wireless and the AWS-3 Auction.

SNR Wireless. SNR Wireless is a wholly-owned subsidiary of SNR HoldCo, which is an entity owned by SNR Wireless Management, LLC ("SNR Management") and us. Under the applicable accounting guidance in ASC 810, SNR HoldCo is considered a variable interest entity and, based on the characteristics of the structure of this entity and in accordance with the applicable accounting guidance, we have consolidated SNR HoldCo into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of the SNR Licenses (and in certain

circumstances, prior to the five-year anniversary of the grant of the SNR Licenses), SNR Management has the ability, but not the obligation, to require SNR HoldCo to purchase SNR Management's ownership interests in SNR HoldCo (the "SNR Put Right") for a purchase price that generally equals its equity contribution to SNR HoldCo plus a fixed annual rate of return. In the event that the SNR Put Right is exercised by SNR Management, the consummation of the sale will be subject to FCC approval. SNR HoldCo does not have a call right with respect to SNR Management's ownership interests in SNR HoldCo. Although SNR Management is the sole manager of SNR HoldCo, SNR Management's ownership interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of "Redeemable noncontrolling interest" in the mezzanine section of our Condensed Consolidated Balance Sheets. SNR Management's ownership interest in SNR HoldCo was initially accounted for at fair value. Subsequently, SNR Management's ownership interest in SNR HoldCo is increased by the fixed annual rate of return through "Redeemable noncontrolling interest" in our Condensed Consolidated Balance Sheets, with the offset recorded in "Net income (loss)

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attributable to noncontrolling interest, net of tax” on our Statements of Operations and Comprehensive Income (Loss). The operating results of SNR HoldCo attributable to SNR Management are recorded as “Redeemable noncontrolling interest” in our Condensed Consolidated Balance Sheets, with the offset recorded in “Net income (loss) attributable to noncontrolling interests, net of tax” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 10 for further discussion on SNR Wireless and the AWS-3 Auction.

Discontinued Operations

On April 26, 2011, we completed the acquisition of most of the assets of Blockbuster, Inc. As of December 31, 2013, Blockbuster had ceased material operations. The results of Blockbuster are presented for all periods as discontinued operations in our condensed consolidated financial statements. On January 14, 2014, we completed the sale of our Blockbuster operations in Mexico.

Use of Estimates

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

Fair Value Measurements

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

- Level 1, defined as observable inputs being quoted prices in active markets for identical assets;
- 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 derivative financial instruments indexed to marketable investment securities; and
- Level 3, defined as unobservable inputs for which little or no market data exists, consistent with reasonably available assumptions made by other participants therefore requiring assumptions based on the best information available.

As of September 30, 2015 and December 31, 2014, the carrying value for cash and cash equivalents, trade accounts receivable (net of allowance for doubtful accounts) and current liabilities (excluding the “Current portion of long-term debt and capital lease obligations”) is equal to or approximates fair value due to their short-term nature or proximity to current market rates. See Note 6 for the fair value of our marketable investment securities and derivative financial instruments.

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Fair values for our publicly traded debt securities are based on quoted market prices, when available. The fair values of private debt are estimated based on an analysis in which we evaluate market conditions, related securities, various public and private offerings, and other publicly available information. In performing this analysis, we make various assumptions regarding, among other things, credit spreads, and the impact of these factors on the value of the debt securities. See Note 9 for the fair value of our long-term debt.

Derivative Financial Instruments

We may purchase and hold derivative financial instruments for, among other reasons, strategic or speculative purposes. We record all derivative financial instruments on our Condensed Consolidated Balance Sheets at fair value as either assets or liabilities. Changes in the fair values of derivative financial instruments are recognized in our results of operations and included in "Other, net" within "Other Income (Expense)" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). We currently have not designated any derivative financial instrument for hedge accounting.

As of September 30, 2015 and December 31, 2014, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of \$567 million and \$383 million, respectively. The fair value of the derivative financial instruments is dependent on the trading price of the indexed common equity securities, which may be volatile and vary depending on, among other things, the issuer's financial and operational performance and market conditions.

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 ("ASU 2014-09"), Revenue from Contracts with Customers. This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board ("IASB") to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards ("IFRS"). ASU 2014-09 provides a framework for revenue recognition that replaces most existing GAAP revenue recognition guidance when it becomes effective. ASU 2014-09 allows for either a full retrospective or modified retrospective adoption. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected an adoption method nor have we determined the effect of the standard on our ongoing financial reporting. The new standard could impact revenue and cost recognition for a significant number of our contracts, as well as our business processes and information

technology systems. As a result, our evaluation of the effect of the new standard will likely extend over several future periods. On July 9, 2015, the FASB approved a one year deferral on the effective date for implementation of this standard, which changed the effective date for us to January 1, 2018.

3. Basic and Diluted Net Income (Loss) Per Share

We present both basic earnings per share (“EPS”) and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing “Net income (loss) attributable to DISH Network” by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised. The potential dilution from stock awards was computed using the treasury stock method based on the average

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market value of our Class A common stock. The following table presents EPS amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except per share amounts)			
Net income (loss)	\$ 202,610	\$ 143,035	\$ 888,188	\$ 520,981
Less: Net income (loss) attributable to noncontrolling interests, net of tax	6,131	(2,484)	15,801	(13,782)
Net income (loss) attributable to DISH Network	\$ 196,479	\$ 145,519	\$ 872,387	\$ 534,763
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	463,190	460,754	462,740	459,688
Dilutive impact of stock awards outstanding	1,512	2,448	1,858	2,849
Diluted	464,702	463,202	464,598	462,537
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	\$ 0.42	\$ 0.32	\$ 1.89	\$ 1.16
Diluted net income (loss) per share attributable to DISH Network	\$ 0.42	\$ 0.31	\$ 1.88	\$ 1.16

As of September 30, 2015 and 2014, there were stock awards to acquire 0.6 million and 0.4 million shares, respectively, of Class A common stock outstanding, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive.

Vesting of options and rights to acquire shares of our Class A common stock granted pursuant to our performance based stock incentive plans ("Restricted Performance Units") is contingent upon meeting certain goals, some of which are not yet probable of being achieved. As a consequence, the following are also not included in the diluted EPS calculation.

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	As of	
	September 30,	2014
	2015	2014
	(In thousands)	
Performance based options (1)	3,900	7,322
Restricted Performance Units (1)	1,380	1,843
Total (1)	5,280	9,165

(1) The decrease in performance based options and Restricted Performance Units primarily resulted from the expiration of the 2005 LTIP.

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4. Supplemental Data -- Statements of Cash Flows

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

	For the Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Cash paid for interest (including capitalized interest)	\$ 669,343	\$ 652,793
Cash received for interest	18,011	108,471
Cash paid for income taxes	15,167	161,279
Capitalized interest	200,737	158,582
Employee benefits paid in Class A common stock	26,026	25,781
Satellites and other assets financed under capital lease obligations	—	3,462
Unsettled purchases of marketable investment securities	8,018	203,088
Satellite and Tracking Stock Transaction with EchoStar:		
Transfer of property and equipment, net	—	432,080
Investment in EchoStar and HSSC preferred tracking stock - cost method	—	316,204
Transfer of liabilities and other	—	44,540
Capital distribution to EchoStar, net of deferred taxes of \$31,274	—	51,466
Sling TV Exchange Transaction with EchoStar:		
Transfer of property and equipment, net	—	8,978
Transfer of investments and intangibles, net	—	25,097
Capital distribution to EchoStar, net of deferred taxes of \$3,542	—	5,845
Deemed distribution to EchoStar- initial fair value of redeemable noncontrolling interest, net of deferred taxes of \$8,489	—	14,011

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5. Other Comprehensive Income (Loss)

The following tables present the tax effect on each component of “Other comprehensive income (loss).”

	For the Three Months Ended September 30,					
	2015			2014		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Foreign currency translation adjustments	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Unrealized holding gains (losses) on available-for-sale securities	(15,829)	5,913	(9,916)	(38,502)	14,074	(24,428)
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(78)	29	(49)	1,784	(653)	1,131
Other comprehensive income (loss)	\$ (15,907)	\$ 5,942	\$ (9,965)	\$ (36,718)	\$ 13,421	\$ (23,297)

	For the Nine Months Ended September 30,					
	2015			2014		
	Before Tax Amount	Tax (Expense) Benefit (1)	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Foreign currency translation adjustments	\$ —	\$ —	\$ —	\$ 3,878	\$ —	\$ 3,878
Unrealized holding gains (losses) on available-for-sale securities	30,998 (93,875)	(11,451) (27,979)	19,547 (121,854)	(18,933) 1,722	6,923 (630)	(12,010) 1,092

Recognition of previously
unrealized (gains) losses on
available-for-sale securities
included in net income
(loss)

Other comprehensive
income (loss)

\$ (62,877)	\$ (39,430)	\$ (102,307)	\$ (13,333)	\$ 6,293	\$ (7,040)
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(1) Prior to December 31, 2012, we had established a valuation allowance against all deferred tax assets that were capital in nature. At December 31, 2012, it was determined that these deferred tax assets were realizable and the valuation allowance was released, including the valuation allowance related to a specific portfolio of available-for-sale securities for which changes in fair value had historically been recognized as a separate component of “Accumulated other comprehensive income (loss).” Under the intra-period tax allocation rules, a credit of \$63 million was recorded in “Accumulated other comprehensive income (loss)” on our Condensed Consolidated Balance Sheets related to the release of this valuation allowance.

We elected to use the aggregate portfolio method to determine when the \$63 million would be released from “Accumulated other comprehensive income (loss)” to “Income tax (provision) benefit, net” in the Condensed Consolidated Statement of Operations and Comprehensive Income (Loss). Under the aggregate portfolio approach, the intra-period tax allocation remaining in “Accumulated other comprehensive income (loss)” is not released to “Income tax (provision) benefit, net” until such time that the specific portfolio of available-for-sale securities that generated the original intra-period allocation is liquidated. During the first quarter 2015, this specific available-for-sale security portfolio was liquidated and the \$63 million credit that was previously recorded in “Accumulated other comprehensive income (loss)” was released to “Income tax (provision) benefit, net.” This adjustment has no net

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effect on “Net cash flows from operating activities from continuing operations” or “Total stockholders’ equity (deficit).”

The “Accumulated other comprehensive income (loss)” is detailed in the following table, net of tax.

Accumulated Other Comprehensive Income (Loss)	Unrealized/ Recognized Gains (Losses) (In thousands)
Balance as of December 31, 2014	\$ 174,507
Other comprehensive income (loss) before reclassification	19,547
Amounts reclassified from accumulated other comprehensive income (loss)	(121,854)
Balance as of September 30, 2015	\$ 72,200

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

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

	As of September 30, 2015	December 31, 2014
Marketable investment securities:		
Current marketable investment securities - strategic	\$ 280,795	\$ 711,213
Current marketable investment securities - other	87,856	1,420,532

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Total current marketable investment securities	368,651	2,131,745
Restricted marketable investment securities (1)	75,537	76,970
Total marketable investment securities	444,188	2,208,715
Restricted cash and cash equivalents (1)	6,958	10,014
Other investment securities:		
Investment in EchoStar preferred tracking stock - cost method	228,795	228,795
Investment in HSSC preferred tracking stock - cost method	87,409	87,409
Other investment securities - cost method	11,046	11,046
Total other investment securities	327,250	327,250
Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	\$ 778,396	\$ 2,545,979

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

Marketable Investment Securities

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

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Current Marketable Investment Securities - Strategic

Our current strategic marketable investment securities include strategic and financial debt and equity investments in public companies that are highly speculative and have experienced and continue to experience volatility. As of September 30, 2015, our strategic investment portfolio consisted of securities of a small number of issuers, and as a result the value of that portfolio depends, among other things, on the performance of those issuers. The fair value of certain of the debt and equity securities in our investment portfolio can be adversely impacted by, among other things, the issuers' respective performance and ability to obtain any necessary additional financing on acceptable terms, or at all.

Current Marketable Investment Securities - Other

Our current marketable investment securities portfolio includes investments in various debt instruments including, among others, commercial paper, corporate securities and U.S. treasury and/or agency securities.

Commercial paper consists mainly of unsecured short-term, promissory notes issued primarily by corporations with maturities ranging up to 365 days. Corporate securities consist of debt instruments issued by corporations with various maturities normally less than 18 months. U. S. Treasury and agency securities consist of debt instruments issued by the federal government and other government agencies.

Restricted Cash and Marketable Investment Securities

As of September 30, 2015 and December 31, 2014, our restricted marketable investment securities, together with our restricted cash, included amounts required as collateral for our letters of credit.

Other Investment Securities

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

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

Investment in Tracking Stock

To improve our position in the growing consumer satellite broadband market, among other reasons, on February 20, 2014, we entered into agreements with EchoStar to implement a transaction pursuant to which, among other things: (i) on March 1, 2014, we transferred to EchoStar and Hughes Satellite Systems Corporation (“HSSC”), a subsidiary of EchoStar, five satellites (EchoStar I, EchoStar VII, EchoStar X, EchoStar XI and EchoStar XIV (collectively the “Transferred Satellites”), including related in-orbit incentive obligations and cash interest payments of approximately \$59 million), and approximately \$11 million in cash in exchange for an aggregate of 6,290,499 shares of a series of preferred tracking stock issued by EchoStar and an aggregate of 81.128 shares of a series of preferred tracking stock issued by HSSC (collectively, the “Tracking Stock”); and (ii) beginning on March 1, 2014, we lease back certain satellite capacity on the Transferred Satellites (collectively, the “Satellite and Tracking Stock Transaction”). The Tracking Stock generally tracks the residential retail satellite broadband business of Hughes Network Systems, LLC (“HNS”), a wholly-owned subsidiary of HSSC, including without limitation the operations, assets and liabilities attributed to the Hughes

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

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

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

Unrealized Gains (Losses) on Marketable Investment Securities

As of September 30, 2015 and December 31, 2014, we had accumulated net unrealized gains of \$114 million and \$177 million, respectively. These amounts, net of related tax effect, were \$72 million and \$175 million, respectively. All of these amounts are included in “Accumulated other comprehensive income (loss)” within “Total stockholders’ equity (deficit).” The components of our available-for-sale investments are summarized in the table below.

	As of September 30, 2015				As of December 31, 2014			
	Marketable Investment Securities (In thousands)	Unrealized Gains	Losses	Net	Marketable Investment Securities	Unrealized Gains	Losses	Net
Debt securities (including restricted):								
U. S. Treasury and agency securities	\$ 40,658	\$ 49	\$ —	\$ 49	\$ 58,254	\$ 7	\$ (11)	(4)
Commercial paper	3,999	—	—	—	68,556	—	—	—
Corporate securities	158,152	33,305	(36)	33,269	1,496,044	72,918	(153)	72,765
Other	63,104	77	(13)	64	192,607	1,293	—	1,293
Equity securities	178,275	80,580	(160)	80,420	393,254	106,971	(4,346)	102,625
Total	\$ 444,188	\$ 114,011	\$ (209)	\$ 113,802	\$ 2,208,715	\$ 181,189	\$ (4,510)	\$ 176,679

As of September 30, 2015, restricted and non-restricted marketable investment securities included debt securities of \$144 million with contractual maturities within one year, \$28 million with contractual maturities extending longer than one year through and including five years and \$94 million with contractual maturities longer than ten years. Actual maturities may differ from contractual maturities as a result of our ability to sell these securities prior to maturity.

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Marketable Investment Securities in a Loss Position

The following table reflects the length of time that the individual securities, accounted for as available-for-sale, have been in an unrealized loss position, aggregated by investment category. As of September 30, 2015, the unrealized losses on our investments in equity securities represented investments in broad-based indices. We are not aware of any factors that indicate the unrealized losses in these investments are due to factors other than temporary market fluctuations. As of September 30, 2015, the unrealized losses related to our investments in debt securities primarily represented investments in corporate securities. We have the ability to hold and do not intend to sell our investments in these debt securities before they recover or mature, and it is more likely than not that we will hold these investments until that time. In addition, we are not aware of any specific factors indicating that the underlying issuers of these debt securities would not be able to pay interest as it becomes due or repay the principal at maturity. Therefore, we believe that these changes in the estimated fair values of these marketable investment securities are related to temporary market fluctuations.

	As of September 30, 2015		December 31, 2014	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)			
Debt Securities:				
Less than 12 months	\$ 44,390	\$ (31)	\$ 280,738	\$ (105)
12 months or more	2,762	(18)	135,853	(59)
Equity Securities:				
Less than 12 months	6,015	(160)	15,338	(4,346)
12 months or more	—	—	—	—
Total	\$ 53,167	\$ (209)	\$ 431,929	\$ (4,510)

Fair Value Measurements

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

As of

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	September 30, 2015			December 31, 2014				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash Equivalents (including restricted)	\$ 1,103,307							