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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 November 2, 2016, the registrant's outstanding common stock consisted of 226,599,862 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

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

- 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.

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- We depend on others to provide the programming that we offer to our subscribers and, if we fail to obtain or lose access to this programming, our gross new subscriber activations may decline and our subscriber churn may increase.
- 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, including without limitation those caused by cyber-attacks or other malicious activities, 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 DISH branded pay-TV 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 streaming delivery technology and infrastructure 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.
- Technology in the pay-TV industry changes rapidly, and our success may depend in part on our timely introduction and implementation of, and effective investment in, new competitive products and services and more advanced equipment, and our failure to do so could cause our products and services to become obsolete and could negatively impact our business.
- 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 independent third parties to solicit orders for our services that represent a significant percentage of our total gross new subscriber activations.
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We have limited satellite capacity and failures or reduced capacity could adversely affect our DISH branded pay-TV business.

- Our owned and leased satellites are subject to construction, launch, operational and environmental risks that could limit our ability to utilize these satellites.
- We generally do not carry commercial launch or in-orbit insurance on any of the 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 business.

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Acquisition and Capital Structure Risks

- 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 AWS-3 wireless spectrum licenses.
- 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.
- 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 may pursue acquisitions and other strategic transactions to complement or expand our business that may not be successful, and we may lose up to the entire value of our investment in these acquisitions and transactions.
- We may need additional capital, which may not be available on acceptable terms or at all, to continue investing in our business and to finance acquisitions and other strategic transactions.
- 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.
- The conditional conversion features of our 3 3/8% Convertible Notes due 2026 (the “Convertible Notes due 2026”), if triggered, may adversely affect our financial condition.
- The convertible note hedge and warrant transactions that we entered into in connection with the offering of the Convertible Notes due 2026 may affect the value of the Convertible Notes due 2026 and our Class A common stock.
- We are subject to counterparty risk with respect to the convertible note hedge transactions.
- 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 and Chief Executive Officer.

Legal and Regulatory Risks

- A ruling in the Do Not Call litigation requiring us to pay substantial civil penalties and/or damages and/or enjoining us, whether acting directly or indirectly through authorized telemarketers or independent third-party retailers, from certain activities could have a material adverse effect on our results of operations, financial condition and cash flow.
- 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.

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- 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.
- 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 II, Item 1A of this Quarterly Report on Form 10-Q and 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, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,784,300	\$ 1,053,158
Marketable investment securities	176,936	557,911
Trade accounts receivable, net of allowance for doubtful accounts of \$24,526 and \$22,167, respectively	815,873	864,028
Inventory	479,404	390,328
Derivative financial instruments (Note 2)	—	556,828
Other current assets (Note 8)	1,644,475	120,990
Total current assets	7,900,988	3,543,243
Noncurrent Assets:		
Restricted cash, cash equivalents and marketable investment securities	82,360	82,374
Property and equipment, net	2,666,352	2,924,180
FCC authorizations	16,265,914	15,667,604
Other investment securities	324,371	327,250
Other noncurrent assets, net	336,524	342,059
Total noncurrent assets	19,675,521	19,343,467
Total assets	\$ 27,576,509	\$ 22,886,710
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Trade accounts payable	\$ 610,931	\$ 470,226
Deferred revenue and other	815,943	869,659
Accrued programming	1,538,976	1,532,809
Accrued interest	245,153	224,513
Other accrued expenses	441,652	531,733
Current portion of long-term debt and capital lease obligations	937,486	1,534,000
Total current liabilities	4,590,141	5,162,940
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	15,534,244	12,221,925
Deferred tax liabilities	2,382,554	2,084,789

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Long-term deferred revenue and other long-term liabilities	460,731	385,026
Total long-term obligations, net of current portion	18,377,529	14,691,740
Total liabilities	22,967,670	19,854,680
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interests (Note 2)	316,822	284,243
Stockholders' Equity (Deficit):		
Class A common stock, \$.01 par value, 1,600,000,000 shares authorized, 226,575,362 and 281,866,884 shares issued, 226,575,362 and 225,748,624 shares outstanding, respectively	2,266	2,819
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	3,277,878	2,779,978
Accumulated other comprehensive income (loss)	657	61,981
Accumulated earnings (deficit) (Note 2)	1,009,367	1,471,084
Treasury stock, at cost (Note 2)	—	(1,569,459)
Total DISH Network stockholders' equity (deficit)	4,292,552	2,748,787
Noncontrolling interests	(535)	(1,000)
Total stockholders' equity (deficit)	4,292,017	2,747,787
Total liabilities and stockholders' equity (deficit)	\$ 27,576,509	\$ 22,886,710

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,	
	2016	2015	2016	2015
Revenue:				
Subscriber-related revenue	\$ 3,731,528	\$ 3,704,259	\$ 11,333,222	\$ 11,199,205
Equipment sales and other revenue	14,583	29,306	37,160	91,013
Total revenue	3,746,111	3,733,565	11,370,382	11,290,218
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):				
Subscriber-related expenses	2,219,188	2,182,117	6,682,761	6,589,372
Satellite and transmission expenses	185,254	195,468	539,792	576,752
Cost of sales - equipment and other	11,352	18,787	35,036	73,087
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	38,829	52,107	143,339	160,496
Other subscriber acquisition costs	183,148	250,852	556,928	678,424
Subscriber acquisition advertising	184,033	153,663	442,165	429,094
Total subscriber acquisition costs	406,010	456,622	1,142,432	1,268,014
General and administrative expenses	195,503	186,654	584,344	562,128
Depreciation and amortization (Note 8)	232,484	252,197	715,730	761,295
Total costs and expenses	3,249,791	3,291,845	9,700,095	9,830,648
Operating income (loss)	496,320	441,720	1,670,287	1,459,570
Other Income (Expense):				
Interest income	7,385	3,273	20,326	15,383
Interest expense, net of amounts capitalized	(19,666)	(142,834)	(23,704)	(451,898)
Other, net	3,103	28,782	114,109	284,549
Total other income (expense)	(9,178)	(110,779)	110,731	(151,966)
Income (loss) before income taxes	487,142	330,941	1,781,018	1,307,604
Income tax (provision) benefit, net	(174,935)	(128,331)	(655,545)	(419,416)
Net income (loss)	312,207	202,610	1,125,473	888,188
Less: Net income (loss) attributable to noncontrolling interests, net of tax	4,781	6,131	18,293	15,801
Net income (loss) attributable to DISH Network	\$ 307,426	\$ 196,479	\$ 1,107,180	\$ 872,387

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Weighted-average common shares outstanding -
Class A and B common stock:

Basic	464,927	463,190	464,703	462,740
Diluted	492,969	464,702	474,784	464,598

Earnings per share - Class A and B common stock:

Basic net income (loss) per share attributable to DISH Network	\$ 0.66	\$ 0.42	\$ 2.38	\$ 1.89
Diluted net income (loss) per share attributable to DISH Network	\$ 0.64	\$ 0.42	\$ 2.35	\$ 1.88

Comprehensive Income (Loss):

Net income (loss)	\$ 312,207	\$ 202,610	\$ 1,125,473	\$ 888,188
Other comprehensive income (loss):				
Unrealized holding gains (losses) on available-for-sale securities	102	(15,829)	(2)	30,998
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(2,834)	(78)	(96,477)	(93,875)
Deferred income tax (expense) benefit, net	999	5,942	35,155	(39,430)
Total other comprehensive income (loss), net of tax	(1,733)	(9,965)	(61,324)	(102,307)
Comprehensive income (loss)	310,474	192,645	1,064,149	785,881
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax	4,781	6,131	18,293	15,801
Comprehensive income (loss) attributable to DISH Network	\$ 305,693	\$ 186,514	\$ 1,045,856	\$ 770,080

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,	
	2016	2015
Cash Flows From Operating Activities:		
Net income (loss)	\$ 1,125,473	\$ 888,188
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	715,730	761,295
Realized and unrealized losses (gains) on investments	(116,070)	(291,438)
Non-cash, stock-based compensation	10,530	17,714
Deferred tax expense (benefit)	289,873	157,183
Other, net	7,011	11,741
Change in long-term deferred revenue and other long-term liabilities	75,705	130,107
Changes in current assets and current liabilities, net	44,138	555,247
Net cash flows from operating activities	2,152,390	2,230,037
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(328,198)	(179,296)
Sales and maturities of marketable investment securities	679,428	1,987,485
Settlement of derivative financial instruments	562,234	—
Purchases of property and equipment	(483,459)	(605,484)
Capitalized interest related to FCC authorizations (Note 2)	(563,698)	(187,818)
AWS-3 FCC license deposits (Note 10)	—	(9,075,567)
AWS-3 FCC license refund (Note 10)	—	400,000
Other, net (Note 8)	(1,487,255)	3,594
Net cash flows from investing activities	(1,620,948)	(7,657,086)
Cash Flows From Financing Activities:		
Proceeds from issuance of senior notes	2,000,000	—
Proceeds from issuance of convertible notes	3,000,000	—
Purchases of convertible note hedges	(635,100)	—
Proceeds from issuance of warrants	375,600	—
Redemption and repurchases of senior notes (Note 9)	(1,500,000)	(650,001)
Capital contributions from Northstar Manager and SNR Management (Note 10)	—	204,200
Repayment of long-term debt and capital lease obligations	(25,864)	(23,470)
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	12,186	21,285

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Debt issuance costs	(26,622)	—
Other, net	(500)	14,920
Net cash flows from financing activities	3,199,700	(433,066)
Net increase (decrease) in cash and cash equivalents	3,731,142	(5,860,115)
Cash and cash equivalents, beginning of period	1,053,158	7,104,496
Cash and cash equivalents, end of period	\$ 4,784,300	\$ 1,244,381

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.

Pay-TV and Broadband

We offer pay-TV services under the DISH® brand and the Sling® brand (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), which historically represented a small percentage of our Pay-TV subscribers. During February and June 2015, we launched our Sling domestic and Sling Latino services, respectively. In addition to these Sling TV services that may only be streamed on one device at a time (single-stream services), on April 13, 2016, we launched a live beta multi-stream Sling domestic service, which includes, among other things, the ability to stream on up to three devices simultaneously. During June 2016, our multi-stream Sling domestic service transitioned from its introductory beta period and was re-branded as Sling Blue. Meanwhile, we re-branded our single-stream Sling domestic service as Sling Orange. All Sling TV subscribers are included in our Pay-TV subscriber count. As of September 30, 2016, we had 13.643 million Pay-TV subscribers in the United States.

In addition, we market broadband services under the dishNET™ brand, which had 0.593 million subscribers in the United States as of September 30, 2016. 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 broadband services under the dishNET brand as a competitive local exchange carrier to consumers in certain areas in 34 states

and wireline voice services in certain areas of 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 consider 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.

Auction 1000. On February 10, 2016, we filed an application with the FCC to potentially participate as a bidder in the forward auction phase of the broadcast television spectrum incentive auction in the 600 MHz frequency range (“Auction 1000”). The available spectrum in each licensed geographic area in Auction 1000 is generally comprised of certain paired 5x5 spectrum blocks (5 MHz uplink spectrum and 5 MHz downlink spectrum). As a result, a nationwide footprint may be obtained by aggregating a single 5x5 spectrum block in each available licensed geographic area.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Auction 1000 has had multiple stages, with each stage having two phases. With respect to each stage, in the first phase, or reverse auction phase, participating television broadcasters “sell” their rights to use certain broadcast television spectrum in the 600 MHz frequency range to the FCC. Then following the first phase of a stage, in the second phase, or forward auction phase, the FCC will “resell” that spectrum to auction participants. In the event that certain criteria are not met within a particular stage for Auction 1000 to conclude, Auction 1000 then proceeds to a subsequent stage with less available spectrum than the immediately preceding stage and lower spectrum clearing targets.

Before the forward auction phase of Stage 1 of Auction 1000 began, a qualified bidder in the forward auction phase could make an upfront deposit of up to approximately \$5.4 billion. On July 15, 2016, the FCC announced that a subsidiary of DISH Network and 61 other applicants were qualified to participate in the forward auction phase of Auction 1000. The FCC determined that bidding in Auction 1000 will be “anonymous,” which means that prior to and during the course of the auction, the FCC will not make public any information about a specific applicant’s upfront deposits or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in Auction 1000.

- Stage 1: The reverse auction phase of Stage 1 began on March 29, 2016 and concluded on June 29, 2016. Pursuant to the FCC’s procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 1, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 1 would have had to have exceeded approximately \$88.4 billion. The forward auction phase of Stage 1 included 100 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters’ indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 1 commenced on August 16, 2016 and concluded on August 30, 2016, but the aggregate bids of approximately \$23.1 billion did not exceed the approximately \$88.4 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 2.
- Stage 2: The reverse auction phase of Stage 2 began on September 13, 2016 and concluded on October 13, 2016. Pursuant to the FCC’s procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 2, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 2 would have had to have exceeded approximately \$56.5 billion. The forward auction phase of Stage 2 included 90 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters’ indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 2 commenced and concluded on October 19, 2016, but the aggregate bids of approximately \$21.5 billion did not exceed the approximately \$56.5 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 3.
- Stage 3: The reverse auction phase of Stage 3 commenced on November 1, 2016.

See Note 10 for further information.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses

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 over \$10.0 billion in 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. On October 27, 2015, the FCC granted certain AWS-3 wireless spectrum licenses (the “AWS-3 Licenses”) to Northstar Wireless and to SNR Wireless, respectively, which are recorded in “FCC authorizations” on our Condensed Consolidated Balance Sheets. 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 information.

The AWS-3 Licenses are subject to certain interim and final build-out requirements. We may need to make significant additional loans to the Northstar Entities and to the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate these AWS-3 Licenses, and comply with regulations applicable to such AWS-3 Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities. See Note 10 for further information.

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, 2015. 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 information. Non-consolidated 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.

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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 contingent on a certain performance goal being achieved by Sling TV Holding. In addition, subject to certain conditions, the interest is redeemable 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 interests” 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. The performance goal has been determined to be probable of achievement. Accordingly, the value of EchoStar’s redeemable noncontrolling interest in Sling TV Holding is adjusted each reporting period for any change in redemption value above the initial fair value (adjusted for the operating results of Sling TV Holding attributable to EchoStar subsequent to August 1, 2014), with the offset recorded in “Additional paid-in capital,” net of deferred taxes, on our Condensed Consolidated Balance Sheets. The operating results of Sling TV Holding attributable to EchoStar are recorded as “Redeemable noncontrolling interests” in our Condensed Consolidated Balance Sheets effective August 1, 2014, 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 12 for further information 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 AWS-3 Licenses to Northstar Wireless (and in certain circumstances, prior to the five-year anniversary of the grant of the AWS-3 Licenses to Northstar Wireless), 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 interests” 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 interests" 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 interests" 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 information.

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(Unaudited)

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 AWS-3 Licenses to SNR Wireless (and in certain circumstances, prior to the five-year anniversary of the grant of the AWS-3 Licenses to SNR Wireless), 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 interests” 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 interests” 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 SNR HoldCo attributable to SNR Management are recorded as “Redeemable noncontrolling interests” 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 information.

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.

Capitalized Interest

We capitalize interest associated with the acquisition or construction of certain assets, including, among other things, satellites and wireless spectrum licenses. Capitalization of interest begins when, among other things, steps are taken to prepare the asset for its intended use and ceases when the asset is ready for its intended use or when these activities are substantially suspended.

We are currently preparing for the commercialization of our AWS-4 and H Block wireless spectrum licenses, and interest expense related to their carrying amount is being capitalized. In addition, on October 27, 2015, the FCC granted certain AWS-3 Licenses to Northstar Wireless and to SNR Wireless, respectively, in which we have made certain non-controlling investments. Northstar Wireless and SNR Wireless are preparing for the commercialization of their AWS-3 Licenses and began capitalizing interest related to those AWS-3 Licenses as of October 27, 2015. As the carrying amount of these licenses is significant, substantially all of our interest expense is capitalized.

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(Unaudited)

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, 2016 and December 31, 2015, the carrying amount 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.

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, 2016, we did not hold any derivative financial instruments. As of December 31, 2015, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of \$557 million. The fair value of these derivative financial instruments was dependent on the trading price of the indexed common equity securities. See Note 6 for further information.

Treasury Stock

During the first quarter 2016, we retired all 56,118,260 shares of our treasury stock. As a result, the following amounts are recorded on our Condensed Consolidated Balance Sheets as of September 30, 2016: (i) a \$1.569 billion reduction of "Treasury stock, at cost"; (ii) a \$0.6 million reduction of "Class A common stock" related to the par value of the treasury stock; and (iii) a \$1.568 billion reduction of "Accumulated earnings (deficit)" for the remaining amount. The retirement also reduced the number of issued shares of Class A common stock by 56,118,260 shares.

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New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09 Revenue from Contracts with Customers (“ASU 2014-09”). This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board to create common revenue recognition guidance for GAAP and International Financial Reporting Standards. 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 condensed 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.

Recognition and Measurement of Financial Assets and Financial Liabilities. On January 5, 2016, the FASB issued ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-01 will have on our condensed consolidated financial statements.

Leases. On February 25, 2016, the FASB issued ASU 2016-02 Leases (“ASU 2016-02”), which relates to the accounting of leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-02 will have on our condensed consolidated financial statements.

Financial Instruments – Credit Losses. On June 16, 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the way

entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net earnings. This standard will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact the adoption of ASU 2016-13 will have on our condensed consolidated financial statements and related disclosures.

Statement of Cash Flows - Update. On August 26, 2016, the FASB issued an update to ASC 230 Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). This update consists of eight provisions that provide guidance on the classification of certain cash receipts and cash payments. If practicable, this update should be applied using a retrospective transition method to each period presented. For the provisions that are impracticable to apply retrospectively, those provisions may be applied prospectively as of the earliest date practicable. This update will become effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact the adoption of ASU 2016-15 will have on our condensed consolidated financial statements.

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Compensation – Stock Compensation. On March 30, 2016, the FASB issued ASU 2016-09 Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. During the third quarter 2016, we adopted ASU 2016-09, which had an immaterial impact on our condensed consolidated financial statements.

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 and if our 3 3/8% Convertible Notes due 2026 (the “Convertible Notes due 2026”) issued August 8, 2016 were converted. The potential dilution from stock awards is accounted for using the treasury stock method based on the average market value of our Class A common stock. The potential dilution from conversion of the Convertible Notes due 2026 is accounted for using the if-converted method, which requires that all of the shares of our Class A common stock issuable upon conversion of the Convertible Notes due 2026 will be included in the calculation of diluted EPS assuming conversion of the Convertible Notes due 2026 at the beginning of the reporting period (or at time of issuance, if later). 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,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Net income (loss)	\$ 312,207	\$ 202,610	\$ 1,125,473	\$ 888,188
Less: Net income (loss) attributable to noncontrolling interests, net of tax	4,781	6,131	18,293	15,801
Net income (loss) attributable to DISH Network - Basic	307,426	196,479	1,107,180	872,387
Interest on dilutive 3 3/8% Convertible Notes due 2026, net of tax	9,392	—	9,392	—
Net income (loss) attributable to DISH Network - Diluted	\$ 316,818	\$ 196,479	\$ 1,116,572	\$ 872,387

Weighted-average common shares outstanding - Class A and B common stock:

Basic	464,927	463,190	464,703	462,740
Dilutive impact of 3 3/8% Convertible Notes due 2026	27,017	—	9,071	—
Dilutive impact of stock awards outstanding	1,025	1,512	1,010	1,858
Diluted	492,969	464,702	474,784	464,598

Earnings per share - Class A and B common stock:

Basic net income (loss) per share attributable to DISH Network	\$ 0.66	\$ 0.42	\$ 2.38	\$ 1.89
Diluted net income (loss) per share attributable to DISH Network	\$ 0.64	\$ 0.42	\$ 2.35	\$ 1.88

Certain stock awards to acquire our Class A common stock are not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive. In addition, vesting of performance based options and rights to acquire shares of our Class A common stock granted pursuant to our performance based stock incentive plans (“Restricted Performance Units”) are both contingent upon meeting certain goals, some of which are not yet probable of being achieved. Furthermore, the warrants that we issued to certain option counterparties in connection with the Convertible Notes due 2026 are only exercisable at their expiration if the market price per share of our Class A common stock is greater than the strike price of the warrants, which is approximately \$86.08 per share, subject to adjustments. As a consequence, the following are not included in the diluted EPS calculation.

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	As of	
	September 30,	
	2016	2015
	(In thousands)	
Anti-dilutive stock awards	1,845	622
Performance based options	4,386	3,900
Restricted Performance Units	1,373	1,380
Common stock warrants	46,029	-
Total	53,633	5,902

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,	
	2016	2015
	(In thousands)	
Cash paid for interest (including capitalized interest)	\$ 591,727	\$ 669,343
Cash received for interest	8,385	18,011
Cash paid for income taxes	352,088	15,167
Capitalized interest (1)	611,511	200,737
Initial equity component of the 3 3/8% Convertible Notes due 2026 (2)	773,843	—
Employee benefits paid in Class A common stock	25,146	26,026
Satellites and other assets financed under capital lease obligations	1,328	—
Vendor financing	20,000	—

- (1) See Note 2 for further information.
 (2) See Note 9 for further information.

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,					
	2016			2015		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Unrealized holding gains (losses) on available-for-sale securities	\$ 102	\$ (37)	\$ 65	\$ (15,829)	\$ 5,913	\$ (9,916)
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(2,834)	1,036	(1,798)	(78)	29	(49)
Other comprehensive income (loss)	\$ (2,732)	\$ 999	\$ (1,733)	\$ (15,907)	\$ 5,942	\$ (9,965)

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(Unaudited)

	For the Nine Months Ended September 30,					
	2016			2015		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit (1)	Net of Tax Amount
	(In thousands)					
Unrealized holding gains (losses) on available-for-sale securities	\$ (2)	\$ 1	\$ (1)	\$ 30,998	\$ (11,451)	\$ 19,547
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(96,477)	35,154	(61,323)	(93,875)	(27,979)	(121,854)
Other comprehensive income (loss)	\$ (96,479)	\$ 35,155	\$ (61,324)	\$ (62,877)	\$ (39,430)	\$ (102,307)

(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" on our Condensed Consolidated Statements 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 effect on "Net cash flows from operating activities" 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, 2015	\$ 61,981
Other comprehensive income (loss) before reclassification	(1)
Amounts reclassified from accumulated other comprehensive income (loss)	(61,323)
Balance as of September 30, 2016	\$ 657

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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,	December 31,
	2016	2015
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - strategic	\$ 17,661	\$ 259,145
Current marketable investment securities - other	159,275	298,766
Total current marketable investment securities	176,936	557,911
Restricted marketable investment securities (1)	80,244	82,280
Total marketable investment securities	257,180	640,191
Restricted cash and cash equivalents (1)	2,116	94
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	8,167	11,046
Total other investment securities	324,371	327,250
Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	\$ 583,667	\$ 967,535

(1) Restricted marketable investment securities and restricted cash and cash equivalents are included in "Restricted cash, cash equivalents 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.

Current Marketable Investment Securities - Strategic

Our current strategic marketable investment securities portfolio includes 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, 2016, this 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 this 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.

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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, Cash Equivalents and Marketable Investment Securities

As of September 30, 2016 and December 31, 2015, our restricted marketable investment securities, together with our restricted cash and cash equivalents, 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 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”). As of November 30, 2015, we no longer lease satellite capacity on the EchoStar I satellite. 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 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.

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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, 2016 and December 31, 2015, we had accumulated net unrealized gains of \$1 million and \$98 million, respectively. These amounts, net of related tax effect, were \$1 million and \$62 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, 2016
 Marketable
 Investment Unrealized

As of December 31, 2015
 Marketable
 Investment Unrealized

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	Securities (In thousands)	Gains	Losses	Net	Securities	Gains	Losses	Net
Debt securities (including restricted):								
U.S. Treasury and agency securities	\$ 80,721	\$ 54	\$ (13)	\$ 41	\$ 82,124	\$ 2	\$ (135)	\$ (133)
Corporate securities	159,570	914	(15)	899	349,897	29,370	(480)	28,890
Other	5,584	65	(11)	54	47,847	73	(17)	56
Equity securities	11,305	50	—	50	160,323	68,751	(41)	68,710
Total	\$ 257,180	\$ 1,083	\$ (39)	\$ 1,044	\$ 640,191	\$ 98,196	\$ (673)	\$ 97,523

As of September 30, 2016, restricted and non-restricted marketable investment securities included debt securities of \$199 million with contractual maturities within one year and \$47 million with contractual maturities extending longer than one year through and including five 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, 2016, the unrealized losses related to our investments in debt securities primarily represented investments in corporate securities, U.S. treasury and agency securities and other. 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, 2016		December 31, 2015	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(In thousands)			
Debt Securities:				
Less than 12 months	\$ 66,653	\$ (28)	\$ 303,194	\$ (612)
12 months or more	127	(11)	7,512	(20)
Equity Securities:				
Less than 12 months	—	—	6,133	(41)
12 months or more	—	—	—	—
Total	\$ 66,780	\$ (39)	\$ 316,839	\$ (673)

Fair Value Measurements

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

As of September 30, 2016				December 31, 2015				
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
(In thousands)								

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Cash equivalents (including restricted)	\$ 4,654,295	\$ 15,188	\$ 4,639,107	\$ —	\$ 920,689	\$ 82,675	\$ 838,014	\$ —
Debt securities (including restricted):								
U.S. Treasury and agency securities	\$ 80,721	\$ 80,721	\$ —	\$ —	\$ 82,124	\$ 77,328	\$ 4,796	\$ —
Corporate securities	159,570	—	153,406	6,164	349,897	—	343,733	6,164
Other	5,584	—	5,392	192	47,847	—	47,648	199
Equity securities	11,305	11,305	—	—	160,323	160,323	—	—
Subtotal	257,180	92,026	158,798	6,356	640,191	237,651	396,177	6,363
Derivative financial instruments	—	—	—	—	556,828	—	556,828	—
Total	\$ 257,180	\$ 92,026	\$ 158,798	\$ 6,356	\$ 1,197,019	\$ 237,651	\$ 953,005	\$ 6,363

As of September 30, 2016 and December 31, 2015, our Level 3 investments consisted predominately of corporate securities. On a quarterly basis we evaluate the reasonableness of significant unobservable inputs used in those measurements. For our Level 3 investments, we evaluate, among other things, the terms of the underlying instruments, the credit ratings of the issuers, current market conditions, and other relevant factors. Based on these factors, we assess the risk of realizing expected cash flows and we apply an observable discount rate that reflects this risk. We may also reduce our valuations to reflect a liquidity discount based on the lack of an active market for these securities.

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Changes in Level 3 instruments were as follows:

	Level 3 Investment Securities (In thousands)
Balance as of December 31, 2015	\$ 6,363
Net realized and unrealized gains (losses) included in earnings	—
Net realized and unrealized gains (losses) included in other comprehensive income (loss)	137
Purchases	—
Settlements	(144)
Issuances	—
Transfers into or out of Level 3	—
Balance as of September 30, 2016	\$ 6,356

During the nine months ended September 30, 2016, we had no transfers in or out of Level 1 and Level 2 fair value measurements.

Gains and Losses on Sales and Changes in Carrying Amounts of Investments

“Other, net” within “Other Income (Expense)” included on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) is as follows:

Other Income (Expense):	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Marketable investment securities - gains (losses) on sales/exchanges	\$ 5,007	\$ 13,908	\$ 113,528	\$ 113,815
Derivative financial instruments - net realized and/or unrealized gains (losses)	—	14,803	5,405	183,190
Marketable investment securities - other-than-temporary impairments	(1,949)	—	(2,863)	(5,567)

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Other	45	71	(1,961)	(6,889)
Total	\$ 3,103	\$ 28,782	\$ 114,109	\$ 284,549

7.Inventory

Inventory consisted of the following:

	As of	
	September 30,	December 31,
	2016	2015
	(In thousands)	
Finished goods	\$ 363,155	\$ 304,827
Work-in-process and service repairs	103,893	74,828
Raw materials	12,356	10,673
Total inventory (1)	\$ 479,404	\$ 390,328

(1) The change in inventory as of September 30, 2016 primarily related to an increase in Hopper® and Joey® set top boxes and associated accessories.

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(Unaudited)

8. Property and Equipment

Property and equipment consisted of the following:

	Depreciable Life (In Years)		As of September 30, 2016 (In thousands)	December 31, 2015
Equipment leased to customers	2 - 5		\$ 3,207,159	\$ 3,549,701
EchoStar XV		15	277,658	277,658
EchoStar XVIII		15	411,255	—
D1		N/A	55,000	55,000
T1		15	401,721	401,721
Satellites acquired under capital lease agreements	10 - 15		499,819	499,819
Furniture, fixtures, equipment and other	1 - 10		802,749	775,834
Buildings and improvements	1 - 40		91,272	86,928
Land		—	5,504	5,504
Construction in progress		—	60,814	382,464
Total property and equipment			5,812,951	6,034,629
Accumulated depreciation			(3,146,599)	(3,110,449)
Property and equipment, net			\$ 2,666,352	\$ 2,924,180

Construction in progress consisted of the following:

	As of September 30, 2016 (In thousands)	December 31, 2015
EchoStar XVIII, including capitalized interest	\$ —	\$ 346,417
Other	60,814	36,047
Total construction in progress	\$ 60,814	\$ 382,464

Our EchoStar XVIII satellite was launched on June 18, 2016 and became operational as an in-orbit spare at the 61.5 degree orbital location during the third quarter 2016, at which time it was reclassified from Construction in progress to Satellites within “Property and equipment, net” on our Condensed Consolidated Balance Sheets.

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Depreciation and amortization expense consisted of the following:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Equipment leased to customers	\$ 185,727	\$ 209,886	\$ 581,324	\$ 629,305
Satellites	24,241	21,957	68,154	65,870
Buildings, furniture, fixtures, equipment and other	22,516	20,354	66,252	66,120
Total depreciation and amortization	\$ 232,484	\$ 252,197	\$ 715,730	\$ 761,295

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

Pay-TV Satellites. We currently utilize 13 satellites in geostationary orbit approximately 22,300 miles above the equator, two of which we own and depreciate over their estimated useful life. We currently utilize certain capacity on nine satellites that we lease from EchoStar, which are accounted for as operating leases. We also lease two satellites from third parties, which are accounted for as capital leases and are depreciated over the shorter of the economic life or the term of the satellite agreement.

As of September 30, 2016, our pay-TV satellite fleet consisted of the following:

Satellites	Launch Date	Degree Orbital Location	Estimated Useful Life (Years)/Lease Termination Date
Owned:			
EchoStar XV	July 2010	61.5	15
EchoStar XVIII	June 2016	61.5	15

Leased from EchoStar (1):

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EchoStar VII (2)	February 2002	119	June 2017
EchoStar IX	August 2003	121	Month to month
EchoStar X (2)	February 2006	110	February 2021
EchoStar XI (2)	July 2008	110	September 2021
EchoStar XII (2)	July 2003	61.5	September 2017
EchoStar XIV (2)	March 2010	119	February 2023
EchoStar XVI (3)	November 2012	61.5	January 2018
Nimiq 5	September 2009	72.7	September 2019
QuetzSat-1	September 2011	77	November 2021
Leased from Other Third Party:			
Anik F3	April 2007	118.7	April 2022
Ciel II	December 2008	129	January 2019

- (1) See Note 12 for further information on our Related Party Transactions with EchoStar.
- (2) We generally have the option to renew each lease on a year-to-year basis through the end of the useful life of the respective satellite.
- (3) We have the option to renew this lease for an additional five-year period. If we exercise our five-year renewal option, we have the option to renew this lease for an additional five years.

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Other

During the third quarter 2016, we made a refundable payment to a third party in connection with a potential asset purchase. This amount is recorded in “Other current assets” on our Condensed Consolidated Balance Sheets.

9.Long-Term Debt

Fair Value of our Long-Term Debt

The following table summarizes the carrying amount and fair value of our debt facilities as of September 30, 2016 and December 31, 2015:

	As of September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
7 1/8% Senior Notes due 2016 (1)	\$ —	\$ —	\$ 1,500,000	\$ 1,506,750
4 5/8% Senior Notes due 2017 (2)	900,000	920,619	900,000	922,770
4 1/4% Senior Notes due 2018	1,200,000	1,235,316	1,200,000	1,207,560
7 7/8% Senior Notes due 2019	1,400,000	1,574,720	1,400,000	1,525,440
5 1/8% Senior Notes due 2020	1,100,000	1,145,507	1,100,000	1,100,000
6 3/4% Senior Notes due 2021	2,000,000	2,162,960	2,000,000	2,021,020
5 7/8% Senior Notes due 2022	2,000,000	2,060,820	2,000,000	1,889,780
5% Senior Notes due 2023	1,500,000	1,468,470	1,500,000	1,297,500
5 7/8% Senior Notes due 2024	2,000,000	1,985,980	2,000,000	1,765,000
7 3/4% Senior Notes due 2026	2,000,000	2,135,460	—	—
3 3/8% Convertible Notes due 2026	3,000,000	3,270,000	—	—
Other notes payable	48,406	48,406	30,996	30,996
Subtotal	17,148,406	\$ 18,008,258	13,630,996	\$ 13,266,816

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Unamortized debt discount on the 3 3/8% Convertible Notes due 2026	(765,958)	—
Unamortized deferred financing costs and other debt discounts, net	(55,264)	(41,563)
Capital lease obligations (3)	144,546	166,492
Total long-term debt and capital lease obligations (including current portion)	\$ 16,471,730	\$ 13,755,925

- (1) On February 1, 2016, we redeemed the principal balance of our 7 1/8% Senior Notes due 2016.
- (2) Our 4 5/8% Senior Notes due 2017 mature on July 15, 2017 and have been reclassified to “Current portion of long-term debt and capital lease obligations” on our Condensed Consolidated Balance Sheets as of September 30, 2016.
- (3) 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).

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7 3/4% Senior Notes due 2026

On June 13, 2016, we issued \$2.0 billion aggregate principal amount of our ten-year 7 3/4% Senior Notes due July 1, 2026. Interest accrues at an annual rate of 7 3/4% and is payable semi-annually in cash, in arrears on January 1 and July 1 of each year, commencing on January 1, 2017.

The 7 3/4% Senior Notes are redeemable, in whole or in part, at any time at a redemption price equal to 100% of the principal amount plus a “make-whole” premium, as defined in the related indenture, together with accrued and unpaid interest. Prior to July 1, 2019, we may also redeem up to 35% of the 7 3/4% Senior Notes at a specified premium with the net cash proceeds from certain equity offerings or capital contributions.

Our 7 3/4% Senior Notes are:

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

The indenture related to our 7 3/4% Senior Notes contains restrictive covenants that, among other things, impose limitations on the ability of DISH DBS and its restricted subsidiaries to:

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

In the event of a change of control, as defined in the related indenture, we would be required to make an offer to repurchase all or any part of a holder's 7 3/4% 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.

3 3/8% Convertible Notes due 2026

On August 8, 2016, we issued \$3.0 billion aggregate principal amount of the Convertible Notes due August 15, 2026 in a private unregistered offering. Interest accrues at an annual rate of 3 3/8% and is payable semi-annually in cash, in arrears on February 15 and August 15 of each year, commencing February 15, 2017.

The Convertible Notes due 2026 are:

- our general unsecured obligations;
- ranked senior in right of payment to any future indebtedness that is expressly subordinated in right of payment to the Convertible Notes due 2026;
- ranked equally in right of payment with all of our existing and future unsecured senior indebtedness;
- ranked effectively junior to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness;

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- ranked structurally junior to all indebtedness and other liabilities of our subsidiaries; and
- not guaranteed by our subsidiaries.

We may not redeem the Convertible Notes due 2026 prior to the maturity date. If a “fundamental change” (as defined in the related indenture) occurs prior to the maturity date of the Convertible Notes due 2026, holders may require us to repurchase for cash all or part of their Convertible Notes due 2026 at a specified make-whole price equal to 100% of the principal amount of such Convertible Notes due 2026, plus accrued and unpaid interest to, but not including, the fundamental change repurchase date.

The indenture related to the Convertible Notes due 2026 does not contain any financial covenants and does not restrict us from paying dividends, issuing or repurchasing our other securities, issuing new debt (including secured debt) or repaying or repurchasing our debt.

Subject to the terms of the related indenture, the Convertible Notes due 2026 may be converted at an initial conversion rate of 15.3429 shares of our Class A common stock per \$1,000 principal amount of Convertible Notes due 2026 (equivalent to an initial conversion price of approximately \$65.18 per share of our Class A common stock) (the “Initial Conversion Rate”), at any time on or after March 15, 2026 through the second scheduled trading day preceding the maturity date. Holders of the Convertible Notes due 2026 will also have the right to convert the Convertible Notes due 2026 at the Initial Conversion Rate prior to March 15, 2026, but only upon the occurrence of specified events described in the related indenture. The conversion rate is subject to anti-dilution adjustments if certain events occur.

In accordance with accounting guidance on embedded conversion features, we valued and bifurcated the conversion option associated with the Convertible Notes due 2026 (the “equity component”) from the host debt instrument. The \$774 million initial value of the equity component on the Convertible Notes due 2026 was recorded in “Additional paid-in capital” within “Stockholders’ equity (deficit)” on our Condensed Consolidated Balance Sheets with the offset being recorded as the debt discount. The resulting debt discount on the Convertible Notes due 2026 is being amortized to interest expense at an effective interest rate of 7% over the ten-year term of the Convertible Notes due 2026. This interest expense was recorded in “Interest expense, net of amounts capitalized” within “Other Income (Expense)” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the Convertible Notes due 2026, we entered into convertible note hedge transactions with certain option counterparties. The convertible note hedge transactions cover, subject to anti-dilution

adjustments substantially similar to those applicable to the Convertible Notes due 2026, the number of shares of our Class A common stock underlying the Convertible Notes due 2026, which initially gives us the option to purchase approximately 46 million shares of our Class A common stock at a price of approximately \$65.18 per share. The total cost of the convertible note hedge transactions was \$635 million. Concurrently with entering into the convertible note hedge transactions, we also entered into warrant transactions with each option counterparty whereby we sold to such option counterparty warrants to purchase, subject to customary anti-dilution adjustments, up to the same number of shares of our Class A common stock, which initially gives the option counterparties the option to purchase approximately 46 million shares of our Class A common stock at a price of approximately \$86.08 per share. We received \$376 million in cash proceeds from the sale of these warrants. For us, the economic effect of these transactions is to effectively raise the initial conversion price from approximately \$65.18 per share of our Class A common stock to approximately \$86.08 per share of our Class A common stock (thus effectively raising the conversion premium on the Convertible Notes due 2026 from approximately 32.5% to approximately 75%). In accordance with accounting guidance on hedge and warrant transactions, the net cost incurred in connection with the convertible note hedge and warrant transactions are recorded as a reduction in “Additional paid-in capital” within “Stockholders’ equity (deficit)” on our Condensed Consolidated Balance Sheets as of September 30, 2016.

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We will not be required to make any cash payments to each option counterparty or its affiliates upon the exercise of the options that are a part of the convertible note hedge transactions, but will be entitled to receive from them a number of shares of Class A common stock, an amount of cash or a combination thereof. This consideration is generally based on the amount by which the market price per share of Class A common stock, as measured under the terms of the convertible note hedge transactions, is greater than the strike price of the convertible note hedge transactions during the relevant valuation period under the convertible note hedge transactions. Additionally, if the market price per share of Class A common stock, as measured under the terms of the warrant transactions, exceeds the strike price of the warrants during the measurement period at the maturity of the warrants, we will owe each option counterparty a number of shares of Class A common stock in an amount based on the excess of such market price per share of Class A common stock over the strike price of the warrants. However, as specified under the terms of the warrant transactions, we may elect to settle the warrants in cash.

10. Commitments and Contingencies

Commitments

DISH Network Spectrum

We have invested over \$5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets.

700 MHz Licenses. In 2008, we paid \$712 million to acquire certain 700 MHz E Block (“700 MHz”) wireless spectrum licenses, which were granted to us by the FCC in February 2009. At the time they were granted, these licenses were subject to certain interim and final build-out requirements. On October 29, 2013, the FCC issued an order approving a voluntary industry solution to resolve certain interoperability issues affecting the lower 700 MHz spectrum band (the “Interoperability Solution Order”), which requires us to reduce power emissions on our 700 MHz licenses. As part of the Interoperability Solution Order, the FCC, among other things, approved our request to modify the original interim and final build-out requirements associated with our 700 MHz licenses so that by March 2017, we must provide signal coverage and offer service to at least 40% of our total E Block population (the “Modified 700 MHz Interim Build-Out Requirement”). The FCC also approved our request to modify the 700 MHz Final Build-Out Requirement so that by March 2021, we must provide signal coverage and offer service to at least 70% of the population in each of our E Block license areas (the “Modified 700 MHz Final Build-Out Requirement”). While the modifications to our 700 MHz licenses provide us additional time to complete the build-out requirements, the reduction in power emissions could have an adverse impact on our ability to fully utilize our 700 MHz licenses. If we fail to meet the Modified 700 MHz

Interim Build-Out Requirement, the Modified 700 MHz Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020, and we could face the reduction of license area(s). If we fail to meet the Modified 700 MHz Final Build-Out Requirement, our authorization may terminate for the geographic portion of each license in which we are not providing service.

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

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On February 15, 2013, the FCC issued an order, which became effective on March 7, 2013, modifying our licenses to expand our terrestrial operating authority with AWS-4 authority (“AWS-4”). That order also mandated certain interim and final build-out requirements for the licenses. By March 2017, we must provide terrestrial signal coverage and offer terrestrial service to at least 40% of the aggregate population represented by all of the areas covered by the licenses (the “AWS-4 Interim Build-Out Requirement”). By March 2020, we were required to provide terrestrial signal coverage and offer terrestrial service to at least 70% of the population in each area covered by an individual license (the “AWS-4 Final Build-Out Requirement”).

On December 20, 2013, the FCC issued a further order that, among other things, extended the AWS-4 Final Build-Out Requirement by one year to March 2021 (the “Modified AWS-4 Final Build-Out Requirement”). If we fail to meet the AWS-4 Interim Build-Out Requirement, the Modified AWS-4 Final Build-Out Requirement may be accelerated by one year, from March 2021 to March 2020. If we fail to meet the Modified AWS-4 Final Build-Out Requirement, our terrestrial authorization for each license area in which we fail to meet the requirement may terminate. The FCC’s December 20, 2013 order also conditionally waived certain FCC rules for our AWS-4 licenses to allow us to repurpose all 20 MHz of our uplink spectrum (2000-2020 MHz) for terrestrial downlink operations. On June 1, 2016, we notified the FCC that we have elected to use our AWS-4 uplink spectrum for terrestrial downlink operations, and effective June 7, 2016, the FCC has modified our AWS-4 licenses, resulting in all 40 MHz of our AWS-4 spectrum being designated for terrestrial downlink operations.

H Block Licenses. On April 29, 2014, the FCC issued an order granting our application to acquire all 176 wireless spectrum licenses in the H Block auction. We paid approximately \$1.672 billion to acquire these H Block licenses, including clearance costs associated with the lower H Block spectrum. The H Block licenses are subject to certain interim and final build-out requirements. By April 2018, we must provide reliable signal coverage and offer service to at least 40% of the population in each area covered by an individual H Block license (the “H Block Interim Build-Out Requirement”). By April 2024, we must provide reliable signal coverage and offer service to at least 75% of the population in each area covered by an individual H Block license (the “H Block Final Build-Out Requirement”). If we fail to meet the H Block Interim Build-Out Requirement, the H Block license term and the H Block Final Build-Out Requirement may be accelerated by two years (from April 2024 to April 2022) for each H Block license area in which we fail to meet the requirement. If we fail to meet the H Block Final Build-Out Requirement, our authorization for each H Block license area in which we fail to meet the requirement may terminate.

Commercialization of Our Wireless Spectrum Licenses and Related Assets. We have made substantial investments to acquire certain wireless spectrum licenses and related assets. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. We may also determine that additional

wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers.

Auction 1000. On February 10, 2016, we filed an application with the FCC to potentially participate as a bidder in the forward auction phase of Auction 1000. The available spectrum in each licensed geographic area in Auction 1000 is generally comprised of certain paired 5x5 spectrum blocks (5 MHz uplink spectrum and 5 MHz downlink spectrum). As a result, a nationwide footprint may be obtained by aggregating a single 5x5 spectrum block in each available licensed geographic area.

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Auction 1000 has had multiple stages, with each stage having two phases. With respect to each stage, in the first phase, or reverse auction phase, participating television broadcasters “sell” their rights to use certain broadcast television spectrum in the 600 MHz frequency range to the FCC. Then following the first phase of a stage, in the second phase, or forward auction phase, the FCC will “resell” that spectrum to auction participants. In the event that certain criteria are not met within a particular stage for Auction 1000 to conclude, Auction 1000 then proceeds to a subsequent stage with less available spectrum than the immediately preceding stage and lower spectrum clearing targets.

Before the forward auction phase of Stage 1 of Auction 1000 began, a qualified bidder in the forward auction phase could make an upfront deposit of up to approximately \$5.4 billion. On July 15, 2016, the FCC announced that a subsidiary of DISH Network and 61 other applicants were qualified to participate in the forward auction phase of Auction 1000. The FCC determined that bidding in Auction 1000 will be “anonymous,” which means that prior to and during the course of the auction, the FCC will not make public any information about a specific applicant’s upfront deposits or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in Auction 1000.

- Stage 1: The reverse auction phase of Stage 1 began on March 29, 2016 and concluded on June 29, 2016. Pursuant to the FCC’s procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 1, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 1 would have had to have exceeded approximately \$88.4 billion. The forward auction phase of Stage 1 included 100 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters’ indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 1 commenced on August 16, 2016 and concluded on August 30, 2016, but the aggregate bids of approximately \$23.1 billion did not exceed the approximately \$88.4 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 2.
- Stage 2: The reverse auction phase of Stage 2 began on September 13, 2016 and concluded on October 13, 2016. Pursuant to the FCC’s procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 2, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 2 would have had to have exceeded approximately \$56.5 billion. The forward auction phase of Stage 2 included 90 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters’ indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 2 commenced and concluded on October 19, 2016, but the aggregate bids of approximately \$21.5 billion did not exceed the approximately \$56.5 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 3.
- Stage 3: The reverse auction phase of Stage 3 commenced on November 1, 2016.

We may need to raise significant additional capital in the future to fund the efforts described above, which may not be available on acceptable terms or at all. There can be no assurance that we will be able to develop and implement a business model that will realize a return on these wireless spectrum licenses or that we will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying amount of these assets and our future financial condition or results of operations.

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DISH NETWORK CORPORATION

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(Unaudited)

DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses

Through our wholly-owned subsidiaries American II and American III, we have made over \$10.0 billion in certain non-controlling investments in Northstar Spectrum, the parent company of Northstar Wireless, and in SNR HoldCo, the parent company of SNR Wireless, 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 Licenses. Each of Northstar Wireless and SNR Wireless applied to receive bidding credits of 25% as designated entities under applicable FCC rules. In February 2015, one of our wholly-owned subsidiaries received a refund from the FCC of its \$400 million upfront payment made in 2014 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. Oral arguments were presented to the Court on September 26, 2016. 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 was recorded during the fourth quarter 2015 in “FCC auction expense” on our Consolidated Statements of Operations and Comprehensive Income (Loss) in our Annual Report on Form 10-K for the year ended December 31, 2015. 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.

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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 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-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.

Amendment to Northstar Wireless Credit Agreement. On October 1, 2015, American II, Northstar Wireless and Northstar Spectrum amended the First Amended and Restated Credit Agreement dated October 13, 2014, by and among American II, as Lender, Northstar Wireless, as Borrower, and Northstar Spectrum, as Guarantor (as amended, the "Northstar Credit Agreement"), to provide, among other things, that: (i) the Northstar Interim Payment and any Northstar Re-Auction Payment will be made by American II directly to the FCC and will be deemed as loans under the Northstar Credit Agreement; (ii) the FCC is a third-party beneficiary with respect to American II's obligation to pay the Northstar Interim Payment and any Northstar Re-Auction Payment; (iii) in the event that the winning bids from re-auction or other award of the AWS-3 Licenses retained by the FCC are less than the winning bids of Northstar Wireless, the purchaser, assignee or transferee of any AWS-3 Licenses from Northstar Wireless is obligated to pay its pro-rata share of the difference (and Northstar Wireless remains jointly and severally liable for such pro-rata share); and (iv) during the period between the due date for the payments guaranteed under the FCC Northstar Guaranty (as discussed below) and the date such guaranteed payments are paid, Northstar Wireless' payment obligations to American II under the Northstar Credit Agreement will be subordinated to such guaranteed payments.

DISH Network Guaranty in Favor of the FCC for Certain Northstar Wireless Obligations. On October 1, 2015, DISH Network entered into a guaranty in favor of the FCC (the "FCC Northstar Guaranty") with respect to the Northstar Interim Payment (which was satisfied on October 1, 2015) and any Northstar Re-Auction Payment. The FCC

Northstar Guaranty provides, among other things, that during the period between the due date for the payments guaranteed under the FCC Northstar Guaranty and the date such guaranteed payments are paid: (i) Northstar Wireless' payment obligations to American II under the Northstar Credit Agreement will be subordinated to such guaranteed payments; and (ii) DISH Network or American II will withhold exercising certain rights as a creditor of Northstar Wireless.

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.

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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 was recorded during the fourth quarter 2015 in “FCC auction expense” on our Consolidated Statements of Operations and Comprehensive Income (Loss) in our Annual Report on Form 10-K for the year ended December 31, 2015. 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.

Amendment to SNR Wireless Credit Agreement. On October 1, 2015, American III, SNR Wireless and SNR HoldCo amended the First Amended and Restated Credit Agreement dated October 13, 2014, by and among American III, as Lender, SNR Wireless, as Borrower, and SNR HoldCo, as Guarantor (as amended, the “SNR Credit Agreement”), to provide, among other things, that: (i) the SNR Interim Payment and any SNR Re-Auction Payment will be made by American III directly to the FCC and will be deemed as loans under the SNR Credit Agreement; (ii) the FCC is a third-party beneficiary with respect to American III’s obligation to pay the SNR Interim Payment and any SNR Re-Auction Payment; (iii) in the event that the winning bids from re-auction or other award of the AWS-3 Licenses retained by the FCC are less than the winning bids of SNR Wireless, the purchaser, assignee or transferee of any AWS-3 Licenses from SNR Wireless is obligated to pay its pro-rata share of the difference (and SNR Wireless

remains jointly and severally liable for such pro-rata share); and (iv) during the period between the due date for the payments guaranteed under the FCC SNR Guaranty (as discussed below) and the date such guaranteed payments are paid, SNR Wireless' payment obligations to American III under the SNR Credit Agreement will be subordinated to such guaranteed payments.

DISH Network Guaranty in Favor of the FCC for Certain SNR Wireless Obligations. On October 1, 2015, DISH Network entered into a guaranty in favor of the FCC (the "FCC SNR Guaranty") with respect to the SNR Interim Payment (which was satisfied on October 1, 2015) and any SNR Re-Auction Payment. The FCC SNR Guaranty provides, among other things, that during the period between the due date for the payments guaranteed under the FCC SNR Guaranty and the date such guaranteed payments are paid: (i) SNR Wireless' payment obligations to American III under the SNR Credit Agreement will be subordinated to such guaranteed payments; and (ii) DISH Network or American III will withhold exercising certain rights as a creditor of SNR Wireless.

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Northstar Wireless is a wholly-owned subsidiary of Northstar Spectrum. Through American II, we own an 85% non-controlling interest in Northstar Spectrum. Northstar Manager owns a 15% controlling interest in, and is the sole manager of, Northstar Spectrum. Northstar Spectrum is governed by a limited liability company agreement by and between American II and Northstar Manager (the “Northstar Spectrum LLC Agreement”). Pursuant to the Northstar Spectrum LLC Agreement, American II and Northstar Manager made pro-rata equity contributions in Northstar Spectrum. As of October 1, 2015, the total equity contributions from American II and Northstar Manager to Northstar Spectrum were approximately \$750 million and \$133 million, respectively. As of October 1, 2015, the total loans from American II to Northstar Wireless under the Northstar Credit Agreement for payments to the FCC related to the Northstar Licenses were approximately \$5.070 billion.

SNR Wireless is a wholly-owned subsidiary of SNR HoldCo. Through American III, we own an 85% non-controlling interest in SNR HoldCo. SNR Management owns a 15% controlling interest in, and is the sole manager of, SNR HoldCo. SNR HoldCo is governed by a limited liability company agreement by and between American III and SNR Management (the “SNR HoldCo LLC Agreement”). Pursuant to the SNR HoldCo LLC Agreement, American III and SNR Management made pro-rata equity contributions in SNR HoldCo. As of October 1, 2015, the total equity contributions from American III and SNR Management to SNR HoldCo were approximately \$524 million and \$93 million, respectively. As of October 1, 2015, the total loans from American III to SNR Wireless under the SNR Credit Agreement for payments to the FCC related to the SNR Licenses were approximately \$3.847 billion.

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 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 information.

On October 27, 2015, the FCC granted the Northstar Licenses to Northstar Wireless and the SNR Licenses to SNR Wireless, respectively, which are recorded in “FCC authorizations” on our Condensed Consolidated Balance Sheets. 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.

In addition, on September 23, 2016, the United States District Court for the District of Columbia unsealed a qui tam complaint that was filed by Vermont National Telephone Company (“Vermont National”) against us; our wholly-owned subsidiaries, American AWS-3 Wireless I L.L.C., American II, American III, and DISH Wireless Holding L.L.C.; Charles W. Ergen (our Chairman and Chief Executive Officer) and Cantey M. Ergen (a member of our board of directors); Northstar Wireless; Northstar Spectrum; Northstar Manager; SNR Wireless; SNR HoldCo; SNR Management; and certain other parties. See “Contingencies – Litigation – Vermont National Telephone Company” for further information.

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(Unaudited)

We may need to make significant additional loans to the Northstar Entities and to the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate the Northstar Licenses and the SNR Licenses, and comply with regulations applicable to the Northstar Licenses and the SNR Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. We may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all, to make further investments in the Northstar Entities and the SNR Entities. There can be no assurance that we will be able to obtain a profitable return on our non-controlling investments in the Northstar Entities and the SNR Entities.

Guarantees

During the third quarter 2009, EchoStar entered into a satellite transponder service agreement for Nimiq 5 through 2024. We sublease this capacity from EchoStar and also guarantee a certain portion of EchoStar's obligation under its satellite transponder service agreement through 2019. As of September 30, 2016, the remaining obligation of our guarantee was \$206 million.

As of September 30, 2016, we have not recorded a liability on the balance sheet for this guarantee.

Contingencies

Separation Agreement

On January 1, 2008, we completed the distribution of our technology and set-top box business and certain infrastructure assets (the "Spin-off") into a separate publicly-traded company, EchoStar. In connection with the Spin-off, we entered into a separation agreement with EchoStar that provides, among other things, for the division of certain liabilities, including liabilities resulting from litigation. Under the terms of the separation agreement, EchoStar has assumed certain liabilities that relate to its business, including certain designated liabilities for acts or omissions that occurred prior to the Spin-off. Certain specific provisions govern intellectual property related claims under which, generally, EchoStar will only be liable for its acts or omissions following the Spin-off and we will indemnify EchoStar for any liabilities or damages resulting from intellectual property claims relating to the period prior to the Spin-off, as well as our acts or omissions following the Spin-off.

Litigation

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

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

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(Unaudited)

California Institute of Technology

On October 1, 2013, the California Institute of Technology (“Caltech”) filed complaints against us and our wholly-owned subsidiaries DISH Network L.L.C. and dishNET Satellite Broadband L.L.C., as well as Hughes Communications, Inc. and Hughes Network Systems, LLC, which are subsidiaries of EchoStar, in the United States District Court for the Central District of California. The complaint alleged infringement of United States Patent Nos. 7,116,710; 7,421,032; 7,916,781 and 8,284,833, each of which is entitled “Serial Concatenation of Interleaved Convolutional Codes forming Turbo-Like Codes.” Caltech alleged that encoding data as specified by the DVB-S2 standard infringed each of the asserted patents. In the operative Amended Complaint, served on March 6, 2014, Caltech claimed that our Hopper® set-top box, as well as the Hughes defendants’ satellite broadband products and services, infringed the asserted patents by implementing the DVB-S2 standard. On May 5, 2015, the Court granted summary judgment in our favor as to the Hopper set-top box alleged in the complaint. On February 17, 2015, Caltech filed a new complaint in the United States District Court for the Central District of California, asserting the same patents against the same defendants. Caltech alleged that certain broadband equipment, including without limitation the HT1000 and HT1100 modems, gateway hardware, software and/or firmware that the Hughes defendants provide to, among others, us for our use in connection with the dishNET branded broadband service, infringed these patents. Pursuant to a settlement agreement between the parties, on May 31, 2016, Caltech dismissed with prejudice all of its claims in these actions.

ClearPlay, Inc.

On March 13, 2014, ClearPlay, Inc. (“ClearPlay”) filed a complaint against us, our wholly-owned subsidiary DISH Network L.L.C., EchoStar, and its wholly-owned subsidiary EchoStar Technologies L.L.C., in the United States District Court for the District of Utah. The complaint alleges infringement of United States Patent Nos. 6,898,799 (the “799 patent”), entitled “Multimedia Content Navigation and Playback”; 7,526,784 (the “784 patent”), entitled “Delivery of Navigation Data for Playback of Audio and Video Content”; 7,543,318 (the “318 patent”), entitled “Delivery of Navigation Data for Playback of Audio and Video Content”; 7,577,970 (the “970 patent”), entitled “Multimedia Content Navigation and Playback”; and 8,117,282 (the “282 patent”), entitled “Media Player Configured to Receive Playback Filters From Alternative Storage Mediums.” ClearPlay alleges that the AutoHop™ feature of our Hopper set-top box infringes the asserted patents. On February 11, 2015, the case was stayed pending various third-party challenges before the United States Patent and Trademark Office regarding the validity of certain of the patents asserted in the action. In those third-party challenges, the United States Patent and Trademark Office found that all claims of the 282 patent are unpatentable, and that certain claims of the 784 patent and 318 patent are unpatentable. ClearPlay appealed as to the 784 patent and the 318 patent, and on August 23, 2016, the United States Court of Appeals for the Federal Circuit affirmed the findings of the United States Patent and Trademark Office. On October 31, 2016, the stay was

lifted.

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

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(Unaudited)

CRFD Research, Inc. (a subsidiary of Marathon Patent Group, Inc.)

On January 17, 2014, CRFD Research, Inc. (“CRFD”) filed a complaint against us, our wholly-owned subsidiaries DISH DBS Corporation and DISH Network L.L.C., EchoStar, and its wholly-owned subsidiary EchoStar Technologies L.L.C., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 7,191,233 (the “233 patent”). The 233 patent is entitled “System for Automated, Mid-Session, User-Directed, Device-to-Device Session Transfer System,” and relates to transferring an ongoing software session from one device to another. CRFD alleges that our Hopper and Joey® set-top boxes infringe the 233 patent. On the same day, CRFD filed similar complaints against AT&T Inc.; Comcast Corp.; DirecTV; Time Warner Cable Inc.; Cox Communications, Inc.; Akamai Technologies, Inc.; Cablevision Systems Corp. and Limelight Networks, Inc. CRFD is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On January 26, 2015, we and EchoStar filed a petition before the United States Patent and Trademark Office challenging the validity of certain claims of the 233 patent. The United States Patent and Trademark Office has agreed to institute a proceeding on our petition, as well as on two third-party petitions challenging the validity of certain claims of the 233 patent, and it heard oral argument on January 16, 2016. On June 1, 2016, the United States Patent and Trademark Office found that all claims asserted against us and the EchoStar parties were unpatentable. On July 5, 2016, CRFD filed a notice of appeal to the United States Court of Appeals for the Federal Circuit. The litigation in the District Court has been stayed since June 4, 2015 pending resolution of our petition to the United States Patent and Trademark Office.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could 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.

Customedia Technologies, L.L.C.

On February 10, 2016, Customedia Technologies, L.L.C. (“Customedia”) filed a complaint against us and our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Eastern District of Texas. The complaint alleges infringement of four patents: United States Patent No. 8,719,090; United States Patent No. 9,053,494; United States Patent No. 7,840,437; and United States Patent No. 8,955,029. Each patent is entitled “System for Data Management And On-Demand Rental And Purchase Of Digital Data Products.” Customedia appears to allege infringement in connection with our addressable advertising services, our DISH Anywhere feature, and our Pay-Per-View and video-on-demand offerings. Customedia 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 patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

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(Unaudited)

Do Not Call Litigation

On March 25, 2009, our wholly-owned subsidiary DISH Network L.L.C. was sued in a civil action by the United States Attorney General and several states in the United States District Court for the Central District of Illinois, alleging violations of the Telephone Consumer Protection Act and the Telemarketing Sales Rule (“TSR”), as well as analogous state statutes and state consumer protection laws. The plaintiffs allege that we, directly and through certain independent third-party retailers and their affiliates, committed certain telemarketing violations. On December 23, 2013, the plaintiffs filed a motion for summary judgment, which indicated for the first time that the state plaintiffs were seeking civil penalties and damages of approximately \$270 million and that the federal plaintiff was seeking an unspecified amount of civil penalties (which could substantially exceed the civil penalties and damages being sought by the state plaintiffs). The plaintiffs were also seeking injunctive relief that if granted would, among other things, enjoin DISH Network L.L.C., whether acting directly or indirectly through authorized telemarketers or independent third-party retailers, from placing any outbound telemarketing calls to market or promote its goods or services for five years, and enjoin DISH Network L.L.C. from accepting activations or sales from certain existing independent third-party retailers and from certain new independent third-party retailers, except under certain circumstances. We also filed a motion for summary judgment, seeking dismissal of all claims. On December 12, 2014, the Court issued its opinion with respect to the parties’ summary judgment motions. The Court found that DISH Network L.L.C. is entitled to partial summary judgment with respect to one claim in the action. In addition, the Court found that the plaintiffs are entitled to partial summary judgment with respect to ten claims in the action, which includes, among other things, findings by the Court establishing DISH Network L.L.C.’s liability for a substantial amount of the alleged outbound telemarketing calls by DISH Network L.L.C. and certain of its independent third-party retailers that were the subject of the plaintiffs’ motion. The Court did not issue any injunctive relief and did not make any determination on civil penalties or damages, ruling instead that the scope of any injunctive relief and the amount of any civil penalties or damages are questions for trial.

In pre-trial disclosures, the federal plaintiff indicated that it intended to seek up to \$900 million in alleged civil penalties, and the state plaintiffs indicated that they intended to seek as much as \$23.5 billion in alleged civil penalties and damages. The plaintiffs also modified their request for injunctive relief. Their requested injunction, if granted, would enjoin DISH Network L.L.C. from placing outbound telemarketing calls unless and until: (i) DISH Network L.L.C. hires a third-party consulting organization to perform a review of its call center operations; (ii) such third-party consulting organization submits a telemarketing compliance plan to the Court and the federal plaintiff; (iii) the Court holds a hearing on the adequacy of the plan; (iv) if the Court approves the plan, DISH Network L.L.C. implements the plan and verifies to the Court that it has implemented the plan; and (v) the Court issues an order permitting DISH Network L.L.C. to resume placing outbound telemarketing calls. The plaintiffs’ modified request for injunctive relief, if granted, would also enjoin DISH Network L.L.C. from accepting customer orders solicited by certain independent third-party retailers unless and until a similar third-party review and Court approval process was followed with respect to the telemarketing activities of its independent third-party retailer base to ensure compliance with the TSR.

The first phase of the bench trial took place January 19, 2016 through February 11, 2016. In closing briefs, the federal plaintiff indicated that it still is seeking \$900 million in alleged civil penalties; the California state plaintiff indicated that it is seeking \$100 million in alleged civil penalties and damages for its state law claims (in addition to any amounts sought on its federal law claims); the Ohio state plaintiff indicated that it is seeking approximately \$10 million in alleged civil penalties and damages for its state law claims (in addition to any amounts sought on its federal law claims); and the Illinois and North Carolina state plaintiffs did not state the specific alleged civil penalties and damages that they are seeking; but the state plaintiffs have taken the general position that any damages award less than \$1.0 billion (presumably for both federal and state law claims) would not raise constitutional concerns. Under the Eighth Amendment of the U.S. Constitution, excessive fines may not be imposed.

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On October 3, 2016, the plaintiffs further modified their request for injunctive relief, and are now seeking, among other things, to enjoin DISH Network L.L.C., whether acting directly or indirectly through authorized telemarketers or independent third-party retailers, from placing any outbound telemarketing calls to market or promote its goods or services for five years, and enjoin DISH Network L.L.C. from accepting activations or sales from some or all existing independent third-party retailers. The second phase of the bench trial, which commenced on October 25, 2016 and concluded on November 2, 2016, covered the plaintiffs' requested injunctive relief, as well as certain evidence related to the state plaintiffs' claims.

We may also from time to time be subject to private civil litigation alleging telemarketing violations. For example, a portion of the alleged telemarketing violations by an independent third-party retailer at issue in the case described above are also the subject of a certified class action filed against DISH Network L.L.C. in the United States District Court for the Middle District of North Carolina. Trial in that action is scheduled to commence on January 9, 2017.

We intend to vigorously defend these cases. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

Dragon Intellectual Property, LLC

On December 20, 2013, Dragon Intellectual Property, LLC ("Dragon IP") filed complaints against our wholly-owned subsidiary DISH Network L.L.C., as well as Apple Inc.; AT&T, Inc.; Charter Communications, Inc.; Comcast Corp.; Cox Communications, Inc.; DirecTV; Sirius XM Radio Inc.; Time Warner Cable Inc. and Verizon Communications, Inc., in the United States District Court for the District of Delaware, alleging infringement of United States Patent No. 5,930,444 (the "444 patent"), which is entitled "Simultaneous Recording and Playback Apparatus." Dragon IP alleges that various of our DVR receivers infringe the 444 patent. Dragon IP is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. On December 23, 2014, DISH Network L.L.C. filed a petition before the United States Patent and Trademark Office challenging the validity of certain claims of the 444 patent. On April 10, 2015, the Court granted DISH Network L.L.C.'s motion to stay the action in light of DISH Network L.L.C.'s petition and certain other defendants' petitions pending before the United States Patent and Trademark Office challenging the validity of certain claims of the 444 patent. On July 17, 2015, the United States Patent and Trademark Office agreed to institute a proceeding on our petition. Pursuant to a stipulation between the parties, on April 27, 2016, the Court entered an order of non-infringement and judgment in favor of DISH Network L.L.C. On June 15, 2016, the United States Patent and Trademark Office entered an order that the patent claims being asserted against DISH Network L.L.C. with respect to the 444 patent are unpatentable. On August 8, 2016, Dragon filed notices of appeal with respect to the Court's judgment and the United States Patent and Trademark Office's decision.

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.

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Grecia

On March 27, 2015, William Grecia (“Grecia”) filed a complaint against our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Northern District of Illinois, alleging infringement of United States Patent No. 8,533,860 (the “860 patent”), which is entitled “Personalized Digital Media Access System—PDMAS Part II.” Grecia alleges that we violate the 860 patent in connection with our digital rights management. Grecia is the named inventor on the 860 patent. On June 22, 2015, the case was transferred to the United States District Court for the Northern District of California. On November 18, 2015, Grecia filed an amended complaint adding allegations that we infringe U.S. Patent No. 8,402,555 (the “555 patent”), which is entitled “Personalized Digital Media Access System (PDMAS).” Grecia is the named inventor on the 555 patent. Grecia alleges that we violate the 555 patent in connection with our digital rights management. Grecia dismissed his action with prejudice on February 3, 2016.

On February 3, 2016, Grecia filed a new complaint against our wholly-owned subsidiary DISH Network L.L.C. in the United States District Court for the Northern District of California, alleging infringement of United States Patent No. 8,887,308 (the “308 patent”), which is entitled “Digital Cloud Access—PDMAS Part III,” on which Grecia is also the named inventor. Grecia alleges that we violate the 308 patent in connection with our DISH Anywhere feature. On July 29, 2016, DISH Network L.L.C. filed a petition before the United States Patent and Trademark Office challenging the validity of certain claims of the 308 patent. The litigation in the District Court has been stayed since June 13, 2016 pending resolution of DISH Network L.L.C.’s petition to the United States Patent and Trademark Office.

We intend to vigorously defend this case. In the event that a court ultimately determines that we infringe the asserted patent, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could 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.

The Hopper Litigation

On May 24, 2012, our wholly-owned subsidiary, DISH Network L.L.C., filed a lawsuit in the United States District Court for the Southern District of New York against American Broadcasting Companies, Inc.; CBS Corporation; Fox Entertainment Group, Inc.; Fox Television Holdings, Inc.; Fox Cable Network Services, L.L.C. and NBCUniversal, LLC. In the lawsuit, we sought a declaratory judgment that we are not infringing any defendant’s copyright, or breaching any defendant’s retransmission consent agreement, by virtue of the PrimeTime Anytime™ and AutoHop features of our Hopper set-top box. A consumer can use the PrimeTime Anytime feature, at his or her option, to

record certain primetime programs airing on ABC, CBS, Fox, and/or NBC up to every night, and to store those recordings for up to eight days. A consumer can use the AutoHop feature, at his or her option, to watch certain recordings that the subscriber made with our PrimeTime Anytime feature, commercial-free, if played back at a certain point after the show's original airing.

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

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As a result of certain parties' competing venue-related motions brought in both the New York and California actions, and certain networks' filing various counterclaims and amended complaints, the claims have proceeded in the following venues: (1) the copyright and contract claims regarding the ABC and CBS parties in New York; and (2) the copyright and contract claims regarding the Fox and NBC parties in California.

California Actions. The NBC plaintiffs and Fox plaintiffs filed amended complaints in their respective California actions, adding copyright claims against EchoStar and EchoStar Technologies L.L.C., a wholly-owned subsidiary of EchoStar. In addition, the Fox plaintiffs' amended complaint added claims challenging the Hopper Transfers™ feature of our second-generation Hopper set-top box.

On November 7, 2012, the California court denied the Fox plaintiffs' motion for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features, and the Fox plaintiffs appealed. On March 27, 2013, at the request of the parties, the Central District of California granted a stay of all proceedings in the action brought by the NBC plaintiffs, pending resolution of the appeal by the Fox plaintiffs. On July 24, 2013, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs' motion for a preliminary injunction as to the PrimeTime Anytime and AutoHop features. On August 7, 2013, the Fox plaintiffs filed a petition for rehearing and rehearing en banc, which was denied on January 24, 2014. The United States Supreme Court granted the Fox plaintiffs an extension until May 23, 2014 to file a petition for writ of certiorari, but they did not file one. As a result, the stay of the NBC plaintiffs' action expired. On August 6, 2014, at the request of the parties, the Central District of California granted a further stay of all proceedings in the action brought by the NBC plaintiffs, pending a final judgment on all claims in the Fox plaintiffs' action. Pursuant to the settlement described below, the Fox action was dismissed on February 11, 2016. On March 4, 2016, at the request of the parties, the Central District of California granted a further stay of all proceedings in the action brought by the NBC plaintiffs until September 9, 2016; provided that either party may file a motion with the Court to lift the stay after May 27, 2016. Pursuant to a settlement between us and the NBC plaintiffs, on June 16, 2016, we and the NBC plaintiffs filed a stipulation to dismiss with prejudice all of our respective claims pending in the California Court. The Court ordered such dismissal on June 20, 2016.

In addition, on February 21, 2013, the Fox plaintiffs filed a second motion for preliminary injunction against: (i) us seeking to enjoin the Hopper Transfers feature in our second-generation Hopper set-top box, alleging breach of their retransmission consent agreement; and (ii) us and EchoStar Technologies L.L.C. seeking to enjoin the Slingbox placeshifting functionality in our second-generation Hopper set-top box, alleging copyright infringement and breach of their retransmission consent agreement. On September 23, 2013, the California court denied the Fox plaintiffs' motion. The Fox plaintiffs appealed, and on July 14, 2014, the United States Court of Appeals for the Ninth Circuit affirmed the denial of the Fox plaintiffs' motion for a preliminary injunction as to the Hopper Transfers feature and the Slingbox placeshifting functionality in our second-generation Hopper set-top box.

On January 12, 2015, the Court ruled on the Fox plaintiffs' and our respective motions for summary judgment, holding that: (a) the Slingbox placeshifting functionality and the PrimeTime Anytime, AutoHop and Hopper Transfers features do not violate the copyright laws; (b) certain quality assurance copies (which were discontinued in November 2012) do violate the copyright laws; and (c) the Slingbox placeshifting functionality, the Hopper Transfers feature and such quality assurance copies breach our Fox retransmission consent agreement. At the parties' joint request, the Court had stayed the case until January 15, 2016. Pursuant to a settlement between us and the Fox plaintiffs, we, EchoStar Technologies L.L.C. and the Fox plaintiffs filed a stipulation to dismiss with prejudice all of our respective claims pending in the California Court. The Court ordered such dismissal on February 11, 2016.

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New York Actions. Both the ABC and CBS parties filed counterclaims in the New York action adding copyright claims against EchoStar Technologies L.L.C., and the CBS parties filed a counterclaim alleging that we fraudulently concealed the AutoHop feature when negotiating the renewal of our CBS retransmission consent agreement. On November 23, 2012, the ABC plaintiffs filed a motion for a preliminary injunction to enjoin the Hopper set-top box's PrimeTime Anytime and AutoHop features. On September 18, 2013, the New York court denied that motion. The ABC plaintiffs appealed, and oral argument on the appeal was heard on February 20, 2014 before the United States Court of Appeals for the Second Circuit. Pursuant to a settlement between us and the ABC parties, during March 2014, the ABC parties withdrew their appeal to the United States Court of Appeals for the Second Circuit; we and the ABC parties filed a stipulation on March 4, 2014 to dismiss without prejudice all of our respective claims pending in the United States District Court for the Southern District of New York; and the ABC parties granted a covenant not to sue. The Court ordered such dismissal on March 6, 2014. Pursuant to a settlement between us and the CBS parties, on December 10, 2014, we and the CBS parties filed a stipulation to dismiss with prejudice all of our respective claims pending in the New York Court. The Court ordered such dismissal on December 10, 2014.

These matters are now concluded.

LightSquared/Harbinger Capital Partners LLC (LightSquared Bankruptcy)

As previously disclosed in our public filings, L-Band Acquisition, LLC ("LBAC"), our wholly-owned subsidiary, entered into a Plan Support Agreement (the "PSA") with certain senior secured lenders to LightSquared LP (the "LightSquared LP Lenders") on July 23, 2013, which contemplated the purchase by LBAC of substantially all of the assets of LightSquared LP and certain of its subsidiaries (the "LBAC Bid") that are debtors and debtors in possession in the LightSquared bankruptcy cases pending in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), which cases are jointly administered under the caption *In re LightSquared Inc., et. al.*, Case No. 12 12080 (SCC).

Pursuant to the PSA, LBAC was entitled to terminate the PSA in certain circumstances, certain of which required three business days written notice, including, without limitation, in the event that certain milestones specified in the PSA were not met. On January 7, 2014, LBAC delivered written notice of termination of the PSA to the LightSquared LP Lenders. As a result, the PSA terminated effective on January 10, 2014, and the LBAC Bid was withdrawn.

On August 6, 2013, Harbinger Capital Partners LLC and other affiliates of Harbinger (collectively, “Harbinger”), a shareholder of LightSquared Inc., filed an adversary proceeding against us, LBAC, EchoStar, Charles W. Ergen (our Chairman and Chief Executive Officer), SP Special Opportunities, LLC (“SPSO”) (an entity controlled by Mr. Ergen), and certain other parties, in the Bankruptcy Court. Harbinger alleged, among other things, claims based on fraud, unfair competition, civil conspiracy and tortious interference with prospective economic advantage related to certain purchases of LightSquared secured debt by SPSO. Subsequently, LightSquared intervened to join in certain claims alleged against certain defendants other than us, LBAC and EchoStar.

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On October 29, 2013, the Bankruptcy Court dismissed all of the claims in Harbinger's complaint in their entirety, but granted leave for LightSquared to file its own complaint in intervention. On November 15, 2013, LightSquared filed its complaint, which included various claims against us, EchoStar, Mr. Ergen and SPSO. On December 2, 2013, Harbinger filed an amended complaint, asserting various claims against SPSO. On December 12, 2013, the Bankruptcy Court dismissed several of the claims asserted by LightSquared and Harbinger. The surviving claims included, among others, LightSquared's claims against SPSO for declaratory relief, breach of contract and statutory disallowance; LightSquared's tortious interference claim against us, EchoStar and Mr. Ergen; and Harbinger's claim against SPSO for statutory disallowance. These claims proceeded to a non-jury trial on January 9, 2014. In its Post-Trial Findings of Fact and Conclusions of Law entered on June 10, 2014, the Bankruptcy Court rejected all claims against us and EchoStar, and it rejected some but not all claims against the other defendants. On July 7, 2015, the United States District Court for the Southern District of New York denied Harbinger's motion for an interlocutory appeal of certain Bankruptcy Court orders in the adversary proceeding. On March 27, 2015, the Bankruptcy Court entered an order confirming the Modified Second Amended Joint Plan pursuant to Chapter 11 of the Bankruptcy Code and, on December 7, 2015, the Plan became effective.

We intend to vigorously defend any claims against us in this proceeding and cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

LightSquared Transaction Shareholder Derivative Actions

On August 9, 2013, a purported shareholder of the Company, Jacksonville Police and Fire Pension Fund ("Jacksonville PFPF"), filed a putative shareholder derivative action in the District Court for Clark County, Nevada alleging, among other things, breach of fiduciary duty claims against the members of the Company's Board of Directors as of that date: Charles W. Ergen; Joseph P. Clayton; James DeFranco; Cantey M. Ergen; Steven R. Goodbarn; David K. Moskowitz; Tom A. Ortolf; and Carl E. Vogel (collectively, the "Director Defendants"). In its first amended complaint, Jacksonville PFPF asserted claims that Mr. Ergen breached his fiduciary duty to the Company in connection with certain purchases of LightSquared debt by SPSO, an entity controlled by Mr. Ergen, and that the other Director Defendants aided and abetted that alleged breach of duty. The Jacksonville PFPF claims alleged that (1) the debt purchases created an impermissible conflict of interest and (2) put at risk the LBAC Bid, which as noted above was withdrawn. Jacksonville PFPF further claimed that most members of the Company's Board of Directors are beholden to Mr. Ergen to an extent that prevents them from discharging their duties in connection with the Company's participation in the LightSquared bankruptcy auction process. Jacksonville PFPF is seeking an unspecified amount of damages. Jacksonville PFPF dismissed its claims against Mr. Goodbarn on October 8, 2013.

Jacksonville PFPF sought a preliminary injunction that would enjoin Mr. Ergen and all of the Director Defendants other than Mr. Goodbarn from influencing the Company's efforts to acquire certain assets of LightSquared in the bankruptcy proceeding. On November 27, 2013, the Court denied that request but granted narrower relief enjoining Mr. Ergen and anyone acting on his behalf from participating in negotiations related to one aspect of the LBAC Bid, which, as noted above, was withdrawn.

Five alleged shareholders filed substantially similar putative derivative complaints in state and federal courts alleging the same or substantially similar claims. On September 18, 2013, DCM Multi-Manager Fund, LLC filed a duplicative putative derivative complaint in the District Court for Clark County, Nevada, which was consolidated with the Jacksonville PFPF action on October 9, 2013. Between September 25, 2013 and October 2, 2013, City of Daytona Beach Police Officers and Firefighters Retirement System, Louisiana Municipal Police Employees' Retirement System and Iron Worker Mid-South Pension Fund filed duplicative putative derivative complaints in the United States District Court for the District of Colorado. Also on October 2, 2013, Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan filed its complaint in the United States District Court for the District of Nevada.

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On October 11, 2013, Iron Worker Mid-South Pension Fund dismissed its claims without prejudice. On October 30, 2013, Louisiana Municipal Police Employees' Retirement System dismissed its claims without prejudice and, on January 2, 2014, filed a new complaint in the District Court for Clark County, Nevada, which, on May 2, 2014, was consolidated with the Jacksonville PFPF action. On December 13, 2013, City of Daytona Beach Police Officers and Firefighters Retirement System voluntarily dismissed its claims without prejudice. On March 28, 2014, Iron Workers District Council (Philadelphia and Vicinity) Retirement and Pension Plan voluntarily dismissed its claims without prejudice.

On July 25, 2014, Jacksonville PFPF filed a second amended complaint, which added claims against George R. Brokaw and Charles M. Lillis, as Director Defendants, and Thomas A. Cullen, R. Stanton Dodge and K. Jason Kiser, as officers of the Company. Jacksonville PFPF asserted five claims in its second amended complaint, each of which alleged breaches of the duty of loyalty. Three of the claims were asserted solely against Mr. Ergen; one claim was made against all of the remaining Director Defendants, other than Mr. Ergen and Mr. Clayton; and the final claim was made against Messrs. Cullen, Dodge and Kiser.

Our Board of Directors established a Special Litigation Committee to review the factual allegations and legal claims in these actions. On October 24, 2014, the Special Litigation Committee filed a report in the District Court for Clark County, Nevada regarding its investigation of the claims and allegations asserted in Jacksonville PFPF's second amended complaint. The Special Litigation Committee filed a motion to dismiss the action based, among other things, on its business judgment that it is in the best interests of the Company not to pursue the claims asserted by Jacksonville PFPF. The Director Defendants and Messrs. Cullen, Dodge and Kiser have also filed various motions to dismiss the action. In an order entered on September 18, 2015, the Court granted the Special Litigation Committee's motion to defer to the Special Litigation Committee's October 24, 2014 report, including its finding that dismissal of the action is in the best interest of the Company. The Court also held that, in light of granting the motion to defer, the pending motions to dismiss filed by the individual defendants were denied without prejudice as moot. On October 12, 2015, Jacksonville PFPF filed a notice of appeal to the Supreme Court of Nevada, and the appeal is now fully briefed. We cannot predict with any degree of certainty the outcome of these suits or determine the extent of any potential liability or damages.

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Qurio Holdings, Inc.

On September 26, 2014, Qurio Holdings, Inc. (“Qurio”) filed a complaint against us and our wholly-owned subsidiary DISH Network L.L.C., in the United States District Court for the Northern District of Illinois, alleging infringement of United States Patent No. 8,102,863 (the “863 patent”) entitled “Highspeed WAN To Wireless LAN Gateway” and United States Patent No. 7,787,904 (the “904 patent”) entitled “Personal Area Network Having Media Player And Mobile Device Controlling The Same.” On the same day, Qurio filed similar complaints against Comcast and DirecTV. On November 13, 2014, Qurio filed a first amended complaint, which added a claim alleging infringement of United States Patent No. 8,879,567 (the “567 patent”) entitled “High-Speed WAN To Wireless LAN Gateway.” Qurio is an entity that seeks to license a patent portfolio without itself practicing any of the claims recited therein. On February 9, 2015, the Court granted DISH Network L.L.C.’s motion to transfer the case to the United States District Court for the Northern District of California. During October 2015, DISH Network L.L.C. filed petitions before the United States Patent and Trademark Office challenging the validity of certain claims of the 863, 904 and 567 patents. On November 3, 2015, the case was stayed pending resolution of these proceedings before the United States Patent and Trademark Office. On April 4, 2016, the United States Patent and Trademark Office agreed to institute proceedings on each of our petitions, as well as on a third-party petition challenging the validity of certain claims of the 904 patent. On June 21, 2016, pursuant to Qurio’s Request for Adverse Judgment, the United States Patent and Trademark Office issued a cancellation of all claims of the 904 patent that we had challenged. On July 13, 2016, Qurio filed a Request for Adverse Judgment with the United States Patent and Trademark Office to cancel all claims of the 863 patent and 567 patent that we had challenged, leaving at issue in the District Court action only certain claims of the 567 patent that we had not challenged. On July 19, 2016, the United States Patent and Trademark Office issued a cancellation of all claims of the 863 patent and the 567 patent that we had challenged. At Qurio’s request, on October 5, 2016, the parties stipulated to a voluntary dismissal of the action with prejudice, which the Court entered on that date. This matter is now concluded.

Shipping & Transit LLC

On August 30, 2016, Shipping & Transit LLC (“Shipping & Transit”) filed suit against us and our wholly-owned subsidiary, DISH Network L.L.C., in the United States District Court for the Central District of California, alleging infringement of United States Patent No. 6,317,060 (the “060 patent”), entitled “Base Station System and Method for Monitoring Travel of Mobile Vehicles and Communicating Notification Methods” and United States Patent No. 6,415,207 (the “207 patent”), entitled “System and Method for Automatically Providing Vehicle Status Information.” Shipping & Transit alleges that the “My Tech” application, which provides information to customers regarding their service technician appointments, infringes the 060 patent and the 207 patent. Shipping & Transit is an entity that seeks to license a 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 patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Technology Development and Licensing L.L.C.

On January 22, 2009, Technology Development and Licensing L.L.C. (“TDL”) filed suit against us and EchoStar, in the United States District Court for the Northern District of Illinois, alleging infringement of United States Patent No. Re. 35,952 (the “952 patent”), which relates to certain favorite channel features. TDL is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. The case was stayed in July 2009 pending two reexamination petitions before the United States Patent and Trademark Office, which concluded in August 2015 and resulted in 42 out of the 53 claims of the 952 patent being invalidated. As a result, the case resumed in August 2015. A trial date has not been set.

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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, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

TQ Beta LLC

On June 30, 2014, TQ Beta LLC (“TQ Beta”) filed a complaint against us; our wholly-owned subsidiaries DISH DBS Corporation and DISH Network L.L.C.; EchoStar; and EchoStar’s subsidiaries EchoStar Technologies L.L.C., Hughes Satellite Systems Corporation, and Sling Media Inc., in the United States District Court for the District of Delaware. The Complaint alleges infringement of United States Patent No. 7,203,456 (the “456 patent”), which is entitled “Method and Apparatus for Time and Space Domain Shifting of Broadcast Signals.” TQ Beta alleges that our Hopper set-top boxes, ViP 722 and ViP 722k DVR devices, as well as our DISH Anywhere™ service and DISH Anywhere mobile application, infringe the 456 patent. TQ Beta is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. During August 2015, DISH Network L.L.C. filed petitions before the United States Patent and Trademark Office challenging the validity of certain claims of the 456 patent, and in February 2016, the United States Patent and Trademark Office agreed to institute proceedings on our petitions. On February 25, 2016, the case was stayed pending resolution of these proceedings before the United States Patent and Trademark Office, and the Court vacated all pending court dates and deadlines.

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.

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(Unaudited)

TQ Delta, LLC

On July 17, 2015, TQ Delta, LLC (“TQ Delta”) filed a complaint against us and our wholly-owned subsidiaries DISH DBS Corporation and DISH Network L.L.C. in the United States District Court for the District of Delaware. The Complaint alleges infringement of United States Patent No. 6,961,369 (the “369 patent”), which is entitled “System and Method for Scrambling the Phase of the Carriers in a Multicarrier Communications System”; United States Patent No. 8,718,158 (the “158 patent”), which is entitled “System and Method for Scrambling the Phase of the Carriers in a Multicarrier Communications System”; United States Patent No. 9,014,243 (the “243 patent”), which is entitled “System and Method for Scrambling Using a Bit Scrambler and a Phase Scrambler”; United States Patent No. 7,835,430 (the “430 patent”), which is entitled “Multicarrier Modulation Messaging for Frequency Domain Received Idle Channel Noise Information”; United States Patent No. 8,238,412 (the “412 patent”), which is entitled “Multicarrier Modulation Messaging for Power Level per Subchannel Information”; United States Patent No. 8,432,956 (the “956 patent”), which is entitled “Multicarrier Modulation Messaging for Power Level per Subchannel Information”; and United States Patent No. 8,611,404 (the “404 patent”), which is entitled “Multicarrier Transmission System with Low Power Sleep Mode and Rapid-On Capability.” On September 9, 2015, TQ Delta filed a first amended complaint that added allegations of infringement of United States Patent No. 9,094,268 (the “268 patent”), which is entitled “Multicarrier Transmission System With Low Power Sleep Mode and Rapid-On Capability.” On May 16, 2016, TQ Delta filed a second amended complaint that added EchoStar Corporation and its wholly-owned subsidiary EchoStar Technologies L.L.C. as defendants. TQ Delta alleges that our satellite TV service, Internet service, set-top boxes, gateways, routers, modems, adapters and networks that operate in accordance with one or more Multimedia over Coax Alliance Standards infringe the asserted patents. TQ Delta has filed actions in the same court alleging infringement of the same patents against Comcast Corp., Cox Communications, Inc., DirecTV, Time Warner Cable Inc. and Verizon Communications, Inc. TQ Delta is an entity that seeks to license an acquired patent portfolio without itself practicing any of the claims recited therein. Trial has been set for November 13, 2017. On July 14, 2016, TQ Delta stipulated to dismiss with prejudice all claims related to the 369 patent and the 956 patent. On July 20, 2016, we filed petitions with the United States Patent and Trademark Office challenging the validity of all of the patent claims of the 404 patent and the 268 patent that have been asserted against us. Third parties have filed petitions with the United States Patent and Trademark Office challenging the validity of all of the patent claims that have been asserted against us in the action. On November 4, 2016, the United States Patent and Trademark Office agreed to institute proceedings on the third-party petitions related to the 158 patent, the 243 patent, the 412 patent and the 430 patent.

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

Two-Way Media Ltd.

On February 17, 2016, Two-Way Media Ltd. (“TWM”) filed a complaint in the United States District Court for the District of Colorado against us; our subsidiaries DISH DBS Corporation, DISH Network L.L.C., DISH Network Service L.L.C., Sling TV Holding L.L.C., Sling TV L.L.C., and Sling TV Purchasing L.L.C.; and EchoStar Corporation, EchoStar Technologies L.L.C., EchoStar Satellite Services L.L.C. and Sling Media, Inc. The complaint alleges infringement of United States Patent Nos. 5,778,187, 5,983,005, 6,434,622 and 7,266,686, each entitled “Multicasting Method and Apparatus,” and United States Patent No. 9,124,607, entitled “Methods and Systems for Playing Media.” TWM claims infringement by our Sling TV domestic and international services, Slingboxes and DISH DVRs incorporating Slingbox technology, and the DISH Anywhere application and website. TWM is an entity that seeks to license a 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 patents, we may be subject to substantial damages, which may include treble damages, and/or an injunction that could require us to materially modify certain features that we currently offer to consumers. We cannot predict with any degree of certainty the outcome of the suit or determine the extent of any potential liability or damages.

Vermont National Telephone Company

On September 23, 2016, the United States District Court for the District of Columbia unsealed a qui tam complaint that was filed by Vermont National against us; our wholly-owned subsidiaries, American AWS-3 Wireless I L.L.C., American II, American III, and DISH Wireless Holding L.L.C.; Charles W. Ergen (our Chairman and Chief Executive Officer) and Cantey M. Ergen (a member of our board of directors); Northstar Wireless; Northstar Spectrum; Northstar Manager; SNR Wireless; SNR HoldCo; SNR Management; and certain other parties. The complaint was unsealed after the United States Department of Justice notified the Court that it had declined to intervene in the action. The complaint is a civil action that was filed under seal on May 13, 2015 by Vermont National, which participated in the AWS-3 Auction through its wholly-owned subsidiary, VTel Wireless. The complaint alleges violations of the federal civil False Claims Act (the "FCA") based on, among other things, allegations that Northstar Wireless and SNR Wireless falsely claimed bidding credits of 25% in the AWS-3 Auction when they were allegedly under the de facto control of DISH Wireless Holding L.L.C. and, therefore, were not entitled to the bidding credits as designated entities under applicable FCC rules. Vermont National seeks to recover on behalf of the United States government approximately \$10 billion, which reflects the \$3.3 billion in bidding credits that Northstar Wireless and SNR Wireless claimed in the AWS-3 Auction, trebled under the FCA. Vermont National also seeks civil penalties of not less than \$5,500 and not more than \$11,000 for each violation of the FCA.

We intend to vigorously defend this case. We cannot predict with any degree of certainty the outcome of this proceeding or determine the extent of any potential liability or damages.

Waste Disposal Inquiry

The California Attorney General and the Alameda County (California) District Attorney are investigating whether certain of our waste disposal policies, procedures and practices are in violation of the California Business and Professions Code and the California Health and Safety Code. We expect that these entities will seek injunctive and monetary relief. The investigation appears to be part of a broader effort to investigate waste handling and disposal processes of a number of industries. While we are unable to predict the outcome of this investigation, we do not

believe that the outcome will have a material effect on our results of operations, financial condition or cash flows.

Other

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

11. Segment Reporting

Operating segments are components of an enterprise for which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Operating income is the primary measure used by our chief operating decision maker to evaluate segment operating performance. We currently operate two primary business segments: (i) Pay-TV and Broadband and (ii) Wireless. See Note 1 for further information.

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All other and eliminations primarily include intersegment eliminations related to intercompany debt and the related interest income and interest expense, which are eliminated in consolidation.

The total assets, revenue and operating income by segment were as follows:

	As of September 30, 2016 (In thousands)	December 31, 2015
Total assets:		
Pay-TV and Broadband	\$ 26,774,291	\$ 22,392,447
Wireless	17,591,671	16,300,465
All other and eliminations	(16,789,453)	(15,806,202)
Total assets	\$ 27,576,509	\$ 22,886,710

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Revenue:				
Pay-TV and Broadband	\$ 3,746,111	\$ 3,733,448	\$ 11,370,382	\$ 11,289,861
Wireless	—	117	—	357
All other and eliminations	—	—	—	—
Total revenue	\$ 3,746,111	\$ 3,733,565	\$ 11,370,382	\$ 11,290,218
Operating income (loss):				
Pay-TV and Broadband	\$ 511,233	\$ 458,093	\$ 1,718,196	\$ 1,508,315
Wireless	(14,913)	(16,373)	(47,909)	(48,745)
All other and eliminations	—	—	—	—
Total operating income (loss)	\$ 496,320	\$ 441,720	\$ 1,670,287	\$ 1,459,570

Geographic Information. Revenues are attributed to geographic regions based upon the location where the products are delivered and services are provided. All revenue was derived from the United States.

12.Related Party Transactions

Related Party Transactions with EchoStar

Following the Spin-off, we and EchoStar have operated as separate publicly-traded companies, and, except for the Satellite and Tracking Stock Transaction and Sling TV Holding described below, 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 and Chief Executive Officer, and by certain trusts established by Mr. Ergen for the benefit of his family.

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

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

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

“Trade accounts receivable”

As of September 30, 2016 and December 31, 2015, trade accounts receivable from EchoStar was \$1 million and \$23 million, respectively. These amounts are recorded in “Trade accounts receivable” on our Condensed Consolidated Balance Sheets.

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“Trade accounts payable”

As of September 30, 2016 and December 31, 2015, trade accounts payable to EchoStar was \$335 million and \$281 million, respectively. These amounts are recorded in “Trade accounts payable” on our Condensed Consolidated Balance Sheets.

“Equipment sales and other revenue”

During the three months ended September 30, 2016 and 2015, we received less than \$1 million and \$13 million, respectively, for equipment sales and other revenue from EchoStar. During the nine months ended September 30, 2016 and 2015, we received \$1 million and \$39 million, respectively, for equipment sales and other revenue from EchoStar. These amounts are recorded in “Equipment sales and other revenue” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these revenues are discussed below.

Remanufactured Receiver and Services Agreement. We entered into a remanufactured receiver and services agreement with EchoStar pursuant to which EchoStar has the right, but not the obligation, to purchase remanufactured receivers and accessories from us at cost plus a fixed margin, which varies depending on the nature of the equipment purchased. In November 2016, we and EchoStar extended this agreement until December 31, 2017. EchoStar may terminate the remanufactured receiver and services agreement for any reason upon at least 60 days notice to us. We may also terminate this agreement if certain entities acquire us.

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

- **EchoStar XV.** During May 2013, we began leasing satellite capacity to EchoStar on EchoStar XV and relocated the satellite for testing at EchoStar’s Brazilian authorization at the 45 degree orbital location. Effective March 1, 2014, this lease converted to a month-to-month lease. Both parties have the right to terminate this lease with 30 days

notice. This lease terminated in November 2015 and EchoStar relocated this satellite from the 45 degree orbital location back to the 61.5 degree orbital location where it currently serves as an in-orbit spare.

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

- El Paso Lease Agreement. During 2012, we leased certain space at 1285 Joe Battle Blvd., El Paso, Texas to EchoStar for an initial period ending on August 1, 2015, which also provides EchoStar with renewal options for four consecutive three-year terms. During the second quarter 2015, EchoStar exercised its first renewal option for a period ending on August 1, 2018.

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“Subscriber-related expenses”

During the three months ended September 30, 2016 and 2015, we incurred \$25 million and \$24 million, respectively, for subscriber-related expenses from EchoStar. During the nine months ended September 30, 2016 and 2015, we incurred \$77 million and \$72 million, respectively, for subscriber-related expenses from EchoStar. These amounts are recorded in “Subscriber-related expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below.

Hughes Broadband Distribution Agreement. Effective October 1, 2012, dishNET Satellite Broadband L.L.C. (“dishNET Satellite Broadband”), our indirect wholly-owned subsidiary, and HNS entered into a Distribution Agreement (the “Distribution Agreement”) pursuant to which dishNET Satellite Broadband has the right, but not the obligation, to market, sell and distribute the HNS satellite Internet service (the “Service”). dishNET Satellite Broadband pays HNS a monthly per subscriber wholesale service fee for the Service based upon the subscriber’s service level, and, beginning January 1, 2014, certain volume subscription thresholds. The Distribution Agreement also provides that dishNET Satellite Broadband has the right, but not the obligation, to purchase certain broadband equipment from HNS to support the sale of the Service. As part of the Satellite and Tracking Stock Transaction, on February 20, 2014, dishNET Satellite Broadband and HNS amended the Distribution Agreement which, among other things, extended the initial term of the Distribution Agreement through March 1, 2024. Thereafter, the Distribution Agreement automatically renews for successive one year terms unless either party gives written notice of its intent not to renew to the other party 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 Service to the then-current dishNET subscribers pursuant to the terms and conditions of the Distribution Agreement.

For the three months ended September 30, 2016 and 2015, we purchased broadband equipment from HNS of \$2 million and \$3 million, respectively. For the nine months ended September 30, 2016 and 2015, we purchased broadband equipment from HNS of \$7 million and \$7 million, respectively. These amounts are initially included in “Inventory” and are subsequently capitalized as “Property and equipment, net” on our Condensed Consolidated Balance Sheets or expensed as “Subscriber acquisition costs” or “Subscriber-related expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed. We also purchase certain broadband equipment from EchoStar under the 2012 Receiver Agreement, discussed below.

SlingService Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we receive certain services related to placeshifting, which is used for, among other things, the DISH Anywhere mobile application. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement had an initial term of five years with

automatic renewal for successive one year terms. This agreement will renew on February 23, 2017 for an additional one-year period until February 23, 2018. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar.

DISH Remote Access Services Agreement. Effective February 23, 2010, we entered into an agreement with EchoStar pursuant to which we receive, among other things, certain remote DVR management services. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. This agreement had an initial term of five years with automatic renewal for successive one year terms. This agreement will renew on February 23, 2017 for an additional one-year period until February 23, 2018. This agreement may be terminated for any reason upon at least 120 days notice to EchoStar.

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“Satellite and transmission expenses”

During the three months ended September 30, 2016 and 2015, we incurred \$176 million and \$185 million, respectively, for satellite and transmission expenses from EchoStar. During the nine months ended September 30, 2016 and 2015, we incurred \$512 million and \$547 million, respectively, for satellite and transmission expenses from EchoStar. These amounts are recorded in “Satellite and transmission expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below.

Broadcast Agreement. Effective January 1, 2012, we and EchoStar entered into a broadcast agreement (the “2012 Broadcast Agreement”) pursuant to which EchoStar provides broadcast services to us, including teleport services such as transmission and downlinking, channel origination services, and channel management services, for the period from January 1, 2012 to December 31, 2016. In November 2016, we and EchoStar amended the 2012 Broadcast Agreement to extend the term thereof for one additional year until December 31, 2017. The fees for services provided under the 2012 Broadcast Agreement are calculated at either: (a) EchoStar’s cost of providing the relevant service plus a fixed dollar fee, which is subject to certain adjustments; or (b) EchoStar’s cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided. We have the ability to terminate channel origination services and channel management services for any reason and without any liability upon at least 60 days notice to EchoStar. If we terminate the teleport services provided under the 2012 Broadcast Agreement for a reason other than EchoStar’s breach, we are generally obligated to reimburse EchoStar for any direct costs EchoStar incurs related to any such termination that it cannot reasonably mitigate.

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

Satellite Capacity Leased from EchoStar. Since the Spin-off, we have entered into certain satellite capacity agreements pursuant to which we lease certain capacity on certain satellites owned or leased by EchoStar. The fees for the services provided under these satellite capacity agreements depend, among other things, upon the orbital location of the applicable satellite, the number of transponders that are leased on the applicable satellite and the length of the lease. See “Pay-TV Satellites” in Note 8 for further information. The term of each lease is set forth below:

- EchoStar I, VII, X, XI and XIV. On March 1, 2014, we began leasing all available capacity from EchoStar on the EchoStar I, VII, X, XI and XIV satellites. The term of each satellite capacity agreement generally terminates upon the earlier of: (i) the end-of-life of the satellite; (ii) the date the satellite fails; or (iii) a certain date, which depends upon, among other things, the estimated useful life of the satellite. We generally have the option to renew each satellite capacity agreement on a year-to-year basis through the end of the respective satellite's life. There can be no assurance that any options to renew such agreements will be exercised. The satellite capacity agreement for EchoStar I expired on November 30, 2015.
- EchoStar VIII. During May 2013, we began leasing capacity from EchoStar on EchoStar VIII as an in-orbit spare. Effective March 1, 2014, this lease converted to a month-to-month lease. Both parties have the right to terminate this lease with 30 days notice. This lease terminated in November 2015.
- EchoStar IX. We lease certain satellite capacity from EchoStar on EchoStar IX. Subject to availability, we generally have the right to continue to lease satellite capacity from EchoStar on EchoStar IX on a month-to-month basis.

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- EchoStar XII. The lease for EchoStar XII generally terminates upon the earlier of: (i) the end-of-life or replacement of the satellite (unless we determine to renew on a year-to-year basis); (ii) the date the satellite fails; (iii) the date the transponders on which service is being provided fails; or (iv) a certain date, which depends upon, among other things, the estimated useful life of the satellite, whether the replacement satellite fails at launch or in orbit prior to being placed into service and the exercise of certain renewal options. We generally have the option to renew the lease on a year-to-year basis through the end of the satellite's life. There can be no assurance that any options to renew this agreement will be exercised.
- EchoStar XVI. During December 2009, we entered into a transponder service agreement with EchoStar to lease all of the capacity on EchoStar XVI, a DBS satellite, after its service commencement date. EchoStar XVI was launched during November 2012 to replace EchoStar XV at the 61.5 degree orbital location and is currently in service. Effective December 21, 2012, we and EchoStar amended the transponder service agreement to, among other things, change the initial term to generally expire upon the earlier of: (i) the end-of-life or replacement of the satellite; (ii) the date the satellite fails; (iii) the date the transponder(s) on which service is being provided under the agreement fails; or (iv) four years following the actual service commencement date. During July 2016, we and EchoStar amended the transponder service agreement to, among other things, extend the initial term by one additional year and to reduce the term of the first renewal option by one year. Prior to expiration of the initial term, we have the option to renew for an additional five-year period. Prior to expiration of the initial term, EchoStar also has the right, upon certain conditions, to renew for an additional five-year period. If either we or EchoStar exercise our respective five-year renewal options, then we have the option to renew for an additional five-year period prior to expiration of the then-current term. There can be no assurance that any options to renew this agreement will be exercised.

Nimiq 5 Agreement. During 2009, EchoStar entered into a fifteen-year satellite service agreement with Telesat Canada ("Telesat") to receive service on all 32 DBS transponders on the Nimiq 5 satellite at the 72.7 degree orbital location (the "Telesat Transponder Agreement"). During 2009, EchoStar also entered into a satellite service agreement (the "DISH Nimiq 5 Agreement") with us, pursuant to which we currently receive service from EchoStar on all 32 of the DBS transponders covered by the Telesat Transponder Agreement. We have also guaranteed certain obligations of EchoStar under the Telesat Transponder Agreement. See discussion under "Guarantees" in Note 10.

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

QuetzSat-1 Lease Agreement. During 2008, EchoStar entered into a ten-year satellite service agreement with SES Latin America S.A. (“SES”), which provides, among other things, for the provision by SES to EchoStar of service on 32 DBS transponders on the QuetzSat-1 satellite. During 2008, EchoStar also entered into a transponder service agreement (“QuetzSat-1 Transponder Agreement”) with us pursuant to which we receive service from EchoStar on 24 DBS transponders. QuetzSat-1 was launched on September 29, 2011 and was placed into service during the fourth quarter 2011 at the 67.1 degree orbital location while we and EchoStar explored alternative uses for the QuetzSat-1 satellite. In the interim, EchoStar provided us with alternate capacity at the 77 degree orbital location. During the first quarter 2013, we and EchoStar entered into an agreement pursuant to which we sublease five DBS transponders back to EchoStar. During January 2013, QuetzSat-1 was moved to the 77 degree orbital location and we commenced commercial operations at that location in February 2013.

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

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

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

TT&C Agreement. Effective January 1, 2012, we entered into a telemetry, tracking and control (“TT&C”) agreement pursuant to which we receive TT&C services from EchoStar for certain satellites for a period ending on December 31, 2016 (the “2012 TT&C Agreement”). In November 2016, we and EchoStar amended the 2012 TT&C Agreement to extend the term thereof for one additional year until December 31, 2017. The fees for services provided under the 2012 TT&C Agreement are calculated at either: (i) a fixed fee; or (ii) cost plus a fixed margin, which will vary depending on the nature of the services provided. We are able to terminate the 2012 TT&C Agreement for any reason upon 60 days notice.

DBSD North America Agreement. On March 9, 2012, we completed the DBSD Transaction. During the second quarter 2011, EchoStar acquired Hughes. Prior to our acquisition of DBSD North America and EchoStar's acquisition of Hughes, DBSD North America and HNS entered into an agreement pursuant to which HNS provides, among other things, hosting, operations and maintenance services for DBSD North America's satellite gateway and associated ground infrastructure. This agreement generally may be terminated by us at any time for convenience.

TerreStar Agreement. On March 9, 2012, we completed the TerreStar Transaction. Prior to our acquisition of substantially all the assets of TerreStar and EchoStar's acquisition of Hughes, TerreStar and HNS entered into various agreements pursuant to which HNS 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 us at any time for convenience.

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DISHOnline.com Services Agreement. Effective January 1, 2010, we entered into a two-year agreement with EchoStar pursuant to which we receive certain services associated with an online video portal. The fees for the services provided under this services agreement depend, among other things, upon the cost to develop and operate such services. We have the option to renew this agreement for successive one year terms and the agreement may be terminated for any reason upon at least 120 days notice to EchoStar. In November 2015, we exercised our right to renew this agreement for a one-year period ending on December 31, 2016.

Sling TV Holding. Effective July 1, 2012, we and EchoStar formed Sling TV Holding, which was owned two-thirds by us and one-third by EchoStar and was consolidated into our financial statements beginning July 1, 2012. Sling TV Holding was formed to develop and commercialize certain advanced technologies. At that time, we, EchoStar and Sling TV Holding entered into the following agreements with respect to Sling TV Holding: (i) a contribution agreement pursuant to which we and EchoStar contributed certain assets in exchange for our respective ownership interests in Sling TV Holding; (ii) a limited liability company operating agreement (the "Operating Agreement"), which provides for the governance of Sling TV Holding; and (iii) a commercial agreement (the "Commercial Agreement") pursuant to which, among other things, Sling TV Holding has: (a) certain rights and corresponding obligations with respect to its business; and (b) the right, but not the obligation, to receive certain services from us and EchoStar, respectively. Since this was a formation of an entity under common control and a step-up in basis was not allowed, each party's contributions were recorded at historical book value for accounting purposes.

Effective August 1, 2014, EchoStar and Sling TV Holding entered into 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. We now have a ninety percent equity interest and a 100% voting interest in Sling TV Holding. In addition, we, EchoStar and Sling TV Holding amended and restated the Operating Agreement, primarily to reflect the changes implemented by the Exchange Agreement. Finally, we, EchoStar and Sling TV Holding amended and restated the Commercial Agreement, pursuant to which, among other things, Sling TV Holding: (1) continues to have certain rights and corresponding obligations with respect to its business; (2) continues to have the right, but not the obligation, to receive certain services from us and EchoStar; and (3) has a license from EchoStar to use certain of the assets distributed to EchoStar as part of the Exchange Agreement. Sling TV Holding operates, through its subsidiary Sling TV L.L.C., the Sling TV services.

Since the Exchange Agreement is among entities under common control, we recorded the difference between the historical cost basis of the assets transferred to EchoStar and our historical cost basis in EchoStar's one-third noncontrolling interest in Sling TV Holding as a \$6 million, net of deferred taxes, capital distribution in "Additional paid-in capital" on our Condensed Consolidated Balance Sheets. In addition, we recorded the initial fair value of EchoStar's ten percent non-voting interest as a \$14 million, net of deferred taxes, deemed distribution in "Additional paid-in capital" on our Condensed Consolidated Balance Sheets.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

EchoStar's ten percent non-voting interest is redeemable contingent on a certain performance goal being achieved by Sling TV Holding. In addition, subject to certain conditions, the interest is redeemable 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 interests" 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. The performance goal has been determined to be probable of achievement. Accordingly, the value of EchoStar's redeemable noncontrolling interest in Sling TV Holding is adjusted each reporting period for any change in redemption value above the initial fair value (adjusted for the operating results of Sling TV Holding attributable to EchoStar subsequent to August 1, 2014), with the offset recorded in "Additional paid-in capital," net of deferred taxes, on our Condensed Consolidated Balance Sheets. Subsequent to the Exchange Agreement, the operating results of Sling TV Holding attributable to EchoStar are recorded as "Redeemable noncontrolling interests" on 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).

"General and administrative expenses"

During the three months ended September 30, 2016 and 2015, we incurred \$25 million and \$26 million, respectively, for general and administrative expenses from EchoStar. During the nine months ended September 30, 2016 and 2015, we incurred \$72 million and \$70 million, respectively, for general and administrative expenses from EchoStar. These amounts are recorded in "General and administrative expenses" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). The agreements pertaining to these expenses are discussed below.

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

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

insurance, utilities and maintenance of the premises. The term of each lease is set forth below:

- Inverness Lease Agreement. The lease for certain space at 90 Inverness Circle East in Englewood, Colorado was terminated effective August 10, 2016.
- Meridian Lease Agreement. The lease for all of 9601 S. Meridian Blvd. in Englewood, Colorado is for a period ending on December 31, 2016.
- Santa Fe Lease Agreement. The lease for all of 5701 S. Santa Fe Dr. in Littleton, Colorado is for a period ending on December 31, 2016.
- EchoStar Data Networks Sublease Agreement. The sublease for certain space at 211 Perimeter Center in Atlanta, Georgia expired on October 31, 2016.
- Gilbert Lease Agreement. Effective August 1, 2014, we began leasing certain space from EchoStar at 801 N. DISH Dr. in Gilbert, Arizona. This lease is for a period ending on July 31, 2017.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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

Application Development Agreement. During the fourth quarter 2012, we and EchoStar entered into a set-top box application development agreement (the “Application Development Agreement”) pursuant to which EchoStar provides us with certain services relating to the development of web-based applications for set-top boxes for a period ending on February 1, 2017. The Application Development Agreement renews automatically for successive one-year periods thereafter, unless terminated earlier by us or EchoStar at any time upon at least 90 days notice. The fees for services provided under the Application Development Agreement are calculated at EchoStar’s cost of providing the relevant service plus a fixed margin, which will depend on the nature of the services provided.

XiP Encryption Agreement. During the third quarter 2012, we entered into an encryption agreement with EchoStar for our whole-home HD DVR line of set-top boxes (the “XiP Encryption Agreement”) pursuant to which EchoStar provides certain security measures on our whole-home HD DVR line of set-top boxes to encrypt the content delivered to the set-top box via a smart card and secure the content between set-top boxes. In November 2016, we and EchoStar extended the term of the XiP Encryption Agreement for one additional year until December 31, 2017. We and EchoStar each have the right to terminate the XiP Encryption Agreement for any reason upon at least 30 days notice and 180 days notice, respectively. The fees for the services provided under the XiP Encryption Agreement are calculated on a monthly basis based on the number of receivers utilizing such security measures each month.

Sling Trademark License Agreement. On December 31, 2014, Sling TV L.L.C. entered into an agreement with Sling Media, Inc., a subsidiary of EchoStar, pursuant to which we have the right for a fixed fee to use certain trademarks, domain names and other intellectual property related to the “Sling” trademark for a period ending on December 31, 2016.

Professional Services Agreement. Prior to 2010, in connection with the Spin-off, we entered into various agreements with EchoStar including the Transition Services Agreement, Satellite Procurement Agreement and Services Agreement, which all expired on January 1, 2010 and were replaced by a Professional Services Agreement. During 2009, we and EchoStar agreed that EchoStar shall continue to have the right, but not the obligation, to receive the following services from us, among others, certain of which were previously provided under the Transition Services Agreement: information technology, travel and event coordination, internal audit, legal, accounting and tax, benefits administration, program acquisition services and other support services. Mr. Vivek Khemka, our Executive Vice President and Chief Technology Officer, currently also provides services pursuant to the Professional Services Agreement to EchoStar as the President of EchoStar Technologies L.L.C. Additionally, we and EchoStar agreed that

we shall continue to have the right, but not the obligation, to engage EchoStar to manage the process of procuring new satellite capacity for us (previously provided under the Satellite Procurement Agreement) and receive logistics, procurement and quality assurance services from EchoStar (previously provided under the Services Agreement) and other support services. The Professional Services Agreement will renew on January 1, 2017 for an additional one-year period until January 1, 2018 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. Revenue for services provided by us to EchoStar under the Professional Services Agreement is recorded in "Equipment sales and other revenue" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Other Agreements - EchoStar

Receiver Agreement. EchoStar is currently our primary supplier of set-top box receivers. Effective January 1, 2012, we and EchoStar entered into a receiver agreement (the “2012 Receiver Agreement”) pursuant to which we have the right, but not the obligation, to purchase digital set-top boxes, related accessories, and other equipment. In November 2016, we and EchoStar amended the 2012 Receiver Agreement to extend the term thereof for one additional year until December 31, 2017. The 2012 Receiver Agreement allows us to purchase digital set-top boxes, related accessories and other equipment from EchoStar either: (i) at a cost (decreasing as EchoStar reduces costs and increasing as costs increase) plus a dollar mark-up which will depend upon the cost of the product subject to a collar on EchoStar’s mark-up; or (ii) at cost plus a fixed margin, which will depend on the nature of the equipment purchased. Under the 2012 Receiver Agreement, EchoStar’s margins will be increased if they are able to reduce the costs of their digital set-top boxes and their margins will be reduced if these costs increase. EchoStar provides us with standard manufacturer warranties for the goods sold under the 2012 Receiver Agreement. Additionally, the 2012 Receiver Agreement includes an indemnification provision, whereby the parties indemnify each other for certain intellectual property matters. We are able to terminate the 2012 Receiver Agreement for any reason upon at least 60 days notice to EchoStar. EchoStar is able to terminate the 2012 Receiver Agreement if certain entities acquire us.

For the three months ended September 30, 2016 and 2015, we purchased set-top boxes and other equipment from EchoStar of \$154 million and \$154 million, respectively. For the nine months ended September 30, 2016 and 2015, we purchased set-top boxes and other equipment from EchoStar of \$584 million and \$570 million, respectively. Included in these amounts are purchases of certain broadband equipment from EchoStar under the 2012 Receiver Agreement. These amounts are initially included in “Inventory” and are subsequently capitalized as “Property and equipment, net” on our Condensed Consolidated Balance Sheets or expensed as “Subscriber acquisition costs” or “Subscriber-related expenses” on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) when the equipment is deployed.

Tax Sharing Agreement. In connection with the Spin-off, we entered into a tax sharing agreement with EchoStar which governs our respective rights, responsibilities and obligations after the Spin-off with respect to taxes for the periods ending on or before the Spin-off. Generally, all pre-Spin-off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-off, are borne by us, and we will indemnify EchoStar for such taxes. However, we are not liable for and will not indemnify EchoStar for any taxes that are incurred as a result of the Spin-off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended (the “Code”) because of: (i) a direct or indirect acquisition of any of EchoStar’s stock, stock options or assets; (ii) any action that EchoStar takes or fails to take; or (iii) any action that EchoStar takes that is inconsistent with the information and representations furnished to the Internal Revenue Service (“IRS”) in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the Spin-off or certain

related transactions. In such case, EchoStar is solely liable for, and will indemnify us 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

We and EchoStar file combined income tax returns in certain states. In 2015, EchoStar earned and recognized a tax benefit for certain state income tax credits that EchoStar estimates it would be unable to utilize in the future if it had filed separately from us. In addition, EchoStar earned and recognized tax benefits for certain federal income tax credits, a portion of which were allocated to us under IRS rules for affiliated companies. We expect to utilize these tax credits to reduce our federal and state income tax payable in the future. In accordance with accounting rules that apply to transfers of assets between entities under common control, we recorded a capital contribution of \$3 million in “Additional paid-in capital” on our Condensed Consolidated Balance Sheets for the year ended December 31, 2015, representing the amount that we estimate is more likely than not to be realized by us as a result of our utilization of these tax credits earned. Any payments made to EchoStar related to the utilization of these credits will be recorded as a reduction to “Additional paid-in capital” on our Condensed Consolidated Balance Sheets.

TiVo. On April 29, 2011, we and EchoStar entered into a settlement agreement with TiVo Inc. (“TiVo”). The settlement resolved all pending litigation between us and EchoStar, on the one hand, and TiVo, on the other hand, including litigation relating to alleged patent infringement involving certain DISH digital video recorders, or DVRs. Under the settlement agreement, all pending litigation was dismissed with prejudice and all injunctions that permanently restrain, enjoin or compel any action by us or EchoStar were dissolved. We and EchoStar are jointly responsible for making payments to TiVo in the aggregate amount of \$500 million, including an initial payment of \$300 million and the remaining \$200 million in six equal annual installments between 2012 and 2017. Pursuant to the terms and conditions of the agreements entered into in connection with the Spin-off of EchoStar from us, we made the initial payment to TiVo in May 2011, except for the contribution from EchoStar totaling approximately \$10 million, representing an allocation of liability relating to EchoStar’s sales of DVR-enabled receivers to an international customer. Future payments will be allocated between us and EchoStar based on historical sales of certain licensed products, with us being responsible for 95% of each annual payment.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Satellite and Tracking Stock Transaction with EchoStar. To improve our position in the consumer satellite broadband market, among other reasons, on February 20, 2014, we entered into the Satellite and Tracking Stock Transaction with EchoStar pursuant to which, among other things: (i) on March 1, 2014, we transferred to EchoStar and HSSC 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 the Tracking Stock; and (ii) beginning on March 1, 2014, we lease back all available satellite capacity on the Transferred Satellites. The Satellite and Tracking Stock Transaction is further described below:

- Transaction Agreement. On February 20, 2014, DOLLC, DNLLC and EchoStar XI Holding L.L.C., all indirect wholly-owned subsidiaries of us, entered into the Transaction Agreement with EchoStar, HSSC and Alpha Company LLC, a wholly-owned subsidiary of EchoStar, pursuant to which, on March 1, 2014, we, among other things, transferred to EchoStar and HSSC the Transferred Satellites in exchange for the Tracking Stock. The Tracking Stock generally tracks 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. The Transaction Agreement includes, among other things, customary mutual provisions for representations, warranties and indemnification.
- Satellite Capacity Leased from EchoStar. On February 20, 2014, we entered into satellite capacity agreements with certain subsidiaries of EchoStar pursuant to which, beginning March 1, 2014, we, among other things, lease all available satellite capacity on the Transferred Satellites. The satellite capacity agreement for EchoStar I expired on November 30, 2015. See further information under "Satellite and transmission expenses – Satellite Capacity Leased from EchoStar."
- Investor Rights Agreement. On February 20, 2014, EchoStar, HSSC, DOLLC and DNLLC (DOLLC and DNLLC, collectively referred to as the "DISH Investors") also entered into the Investor Rights Agreement with respect to the Tracking Stock. The Investor Rights Agreement provides, among other things, certain information and consultation rights for the DISH Investors; 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 as to the DISH Investors at such time as the DISH Investors no longer hold any shares of the HSSC-issued Tracking Stock and any registrable securities under the Investor Rights Agreement.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

PMC. During 2008, Personalized Media Communications, Inc. (“PMC”) filed suit against us; EchoStar and Motorola Inc., in the United States District Court for the Eastern District of Texas, alleging infringement of United States Patent Nos. 5,109,414; 4,965,825; 5,233,654; 5,335,277 and 5,887,243, which relate to satellite signal processing. On May 7, 2015, we, EchoStar and PMC entered into a settlement and release agreement that provided, among other things, for a license by PMC to us and EchoStar for certain patents and patent applications and the dismissal of all of PMC’s claims in the action against us and EchoStar with prejudice. On June 4, 2015, the Court dismissed all of PMC’s claims in the action against us and EchoStar with prejudice. In June 2015, we and EchoStar agreed that EchoStar would contribute a one-time payment of \$5 million towards the settlement under the agreements entered into in connection with the Spin-off and the 2012 Receiver Agreement.

gTLD Bidding Agreement. In April 2015, we and EchoStar entered into a gTLD Bidding Agreement whereby, among other things: (i) we obtained rights from EchoStar to participate in a generic top level domain (“gTLD”) auction, assuming all rights and obligations from EchoStar related to EchoStar’s application with ICANN for a particular gTLD; (ii) we agreed to reimburse EchoStar for its ICANN application fee and certain out-of-pocket expenses related to the application and the auction; and (iii) we and EchoStar agreed to split equally the net proceeds obtained by us as the losing bidder in the auction, less such fee reimbursement and out-of-pocket expenses. During the third quarter 2015, we paid EchoStar approximately \$1 million related to this agreement.

Rovi License Agreement. On August 19, 2016, we entered into a ten-year patent license agreement (the “Rovi License Agreement”) with Rovi Corporation (“Rovi”) and, for certain limited purposes, EchoStar. EchoStar is a party to the Rovi License Agreement solely with respect to certain provisions relating to the prior patent license agreement between EchoStar and Rovi. There are no payments between us and EchoStar under the Rovi License Agreement.

Sale of Orange, New Jersey Properties. In October 2016, we and EchoStar sold two parcels of real estate owned separately by us and EchoStar in Orange, New Jersey to a third party pursuant to a purchase and sale agreement. Pursuant to the agreement, we and EchoStar separately received our respective payments from the buyer.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Related Party Transactions with NagraStar L.L.C.

NagraStar is a joint venture between EchoStar and Nagra USA, Inc. that is our provider of encryption and related security systems intended to assure that only authorized customers have access to our programming. These expenses are recorded in "Subscriber-related expenses" on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). We record all payables in "Trade accounts payable" or "Other accrued expenses" on our Condensed Consolidated Balance Sheets.

The table below summarizes our transactions with NagraStar.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands)			
Purchases (including fees):				
Purchases from NagraStar	\$ 17,526	\$ 21,707	\$ 55,410	\$ 68,729

	As of	
	September 30,	December 31,
	2016	2015
	(In thousands)	
Amounts Payable and Commitments:		
Amounts payable to NagraStar	\$ 17,364	\$ 19,362
Commitments to NagraStar	\$ 682	\$ 1,532

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following management's discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and notes to our financial statements included elsewhere in this Quarterly Report on Form 10-Q. This management's discussion and analysis is intended to help provide an understanding of our financial condition, changes in financial condition and results of our operations and contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry, business and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in our Annual Report on Form 10-K for the year ended December 31, 2015 and this Quarterly Report on Form 10-Q under the caption "Item 1A. Risk Factors." Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q, and we expressly disclaim any obligation to update any forward-looking statements.

Overview

Our business strategy is to be the best provider of video services in the United States by providing products with the best technology, outstanding customer service, and great value. We promote DISH® branded programming packages as providing our subscribers with a better "price-to-value" relationship than those available from other subscription television service providers.

As the pay-TV industry is mature, our strategy has included an increased emphasis on acquiring and retaining higher quality subscribers, even if it means that we will acquire and retain fewer overall subscribers. We evaluate the quality of subscribers based upon a number of factors, including, among others, profitability. Our Pay-TV subscriber base has been declining due to, among other things, this strategy. There can be no assurance that our Pay-TV subscriber base will not continue to decline.

Our current revenue and profit is primarily derived from providing Pay-TV and broadband services to our subscribers. We also generate revenue from equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment, equipment upgrade fees and additional outlet fees from subscribers with receivers with multiple tuners; advertising services; and fees earned from our in-home service operations. Our most significant expenses are subscriber-related expenses, which are primarily related to programming, subscriber acquisition costs and depreciation and amortization.

Financial Highlights

2016 Third Quarter Consolidated Results of Operations and Key Operating Metrics

- Revenue of \$3.746 billion
- Pay-TV ARPU of \$89.44
- Net income attributable to DISH Network of \$307 million and basic and diluted earnings per share of common stock of \$0.66 and \$0.64, respectively.
- Gross new Pay-TV subscriber activations of approximately 736,000
- Pay-TV SAC of \$640
- Loss of approximately 116,000 net Pay-TV subscribers
- Pay-TV churn rate of 2.11%
- Loss of approximately 20,000 net broadband subscribers

Consolidated Financial Condition as of September 30, 2016

- Cash, cash equivalents and current marketable investment securities of \$4.961 billion
- Total assets of \$27.577 billion
- Total long-term debt and capital lease obligations of \$16.472 billion

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Item 2.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Business Segments

Pay-TV and Broadband

We offer pay-TV services under the DISH brand and the Sling® brand (collectively “Pay-TV” services). We had 13.643 million Pay-TV subscribers in the United States as of September 30, 2016 and are the nation’s fourth largest pay-TV provider. Competition has intensified in recent years as the pay-TV industry has matured. To differentiate our DISH branded pay-TV service from our competitors, we introduced the Hopper® whole-home DVR during 2012 and have continued to add functionality and simplicity for a more intuitive user experience. Our Hopper and Joey® whole-home DVR promotes a suite of integrated features and functionality designed to maximize the convenience and ease of watching TV anytime and anywhere. It also has several innovative features that a consumer can use, at his or her option, to watch and record television programming, through their televisions, Internet-connected tablets, smartphones and computers. During the first quarter 2016, we made our next generation Hopper, the Hopper 3, available to customers nationwide. Among other things, the Hopper 3 features 16 tuners, delivers an enhanced 4K Ultra HD experience, and supports up to seven TVs simultaneously. There can be no assurance that these integrated features and functionality will positively affect our results of operations or our gross new Pay-TV subscriber activations.

In addition, we bundle broadband and telephone services with our DISH branded pay-TV services. As of September 30, 2016, we had 0.593 million broadband subscribers in the United States. Connecting our subscribers’ receivers to broadband service enhances the video experience and can be used by consumers to access DISH branded programming services on mobile devices. We market our wireline and satellite broadband services under the dishNET™ brand. Our dishNET 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, and provides download speeds of up to 15 Mbps and our dishNET branded wireline broadband service provides download speeds of up to 40 Mbps. Currently, satellite capacity constraints limit our ability to expand services in certain geographic areas. However, new satellite launches by Hughes and ViaSat are expected to provide additional capacity in 2017.

Sling branded pay-TV services. 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”). We market our Sling TV services primarily to consumers who do not subscribe to traditional satellite and cable pay-TV services. Our Sling TV services require an Internet connection and are available on certain streaming-capable devices including TVs, tablets, computers, game consoles and smart phones. Prior to 2015, we launched our Sling International video programming service (formerly known as DishWorld), which historically represented a small

percentage of our Pay-TV subscribers. Sling International offers over 200 channels in 18 languages. In February 2015, we launched our Sling domestic service. The Sling domestic core package consists of over 20 channels offered for a monthly subscription. In addition to the core programming package, Sling domestic offers additional tiers of programming, including sports, kids, movies, world news, lifestyle and Spanish language and additional premium content such as HBO, each available for an additional monthly fee. Sling TV programming is offered live and on-demand and can be replayed as programming rights permit. In June 2015, we also launched our Sling Latino service. In addition to these Sling TV services that may only be streamed on one device at a time (single-stream services), on April 13, 2016, we launched a live beta multi-stream Sling domestic service, which includes, among other things, the ability to stream on up to three devices simultaneously. During June 2016, our multi-stream Sling domestic service transitioned from its introductory beta period and was re-branded as Sling Blue. Meanwhile, we re-branded our single-stream Sling domestic service as Sling Orange. All Sling TV subscribers are included in our Pay-TV subscriber count.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Wireless

DISH Network Spectrum

We have invested over \$5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. In addition, as we consider 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. We may also determine that additional wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers.

Auction 1000. On February 10, 2016, we filed an application with the Federal Communications Commission (“FCC”) to potentially participate as a bidder in the forward auction phase of the broadcast television spectrum incentive auction in the 600 MHz frequency range (“Auction 1000”). The available spectrum in each licensed geographic area in Auction 1000 is generally comprised of certain paired 5x5 spectrum blocks (5 MHz uplink spectrum and 5 MHz downlink spectrum). As a result, a nationwide footprint may be obtained by aggregating a single 5x5 spectrum block in each available licensed geographic area.

Auction 1000 has had multiple stages, with each stage having two phases. With respect to each stage, in the first phase, or reverse auction phase, participating television broadcasters “sell” their rights to use certain broadcast television spectrum in the 600 MHz frequency range to the FCC. Then following the first phase of a stage, in the second phase, or forward auction phase, the FCC will “resell” that spectrum to auction participants. In the event that certain criteria are not met within a particular stage for Auction 1000 to conclude, Auction 1000 then proceeds to a subsequent stage with less available spectrum than the immediately preceding stage and lower spectrum clearing targets.

Before the forward auction phase of Stage 1 of Auction 1000 began, a qualified bidder in the forward auction phase could make an upfront deposit of up to approximately \$5.4 billion. On July 15, 2016, the FCC announced that a subsidiary of DISH Network and 61 other applicants were qualified to participate in the forward auction phase of

Auction 1000. The FCC determined that bidding in Auction 1000 will be “anonymous,” which means that prior to and during the course of the auction, the FCC will not make public any information about a specific applicant’s upfront deposits or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in Auction 1000.

- Stage 1: The reverse auction phase of Stage 1 began on March 29, 2016 and concluded on June 29, 2016. Pursuant to the FCC’s procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 1, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 1 would have had to have exceeded approximately \$88.4 billion. The forward auction phase of Stage 1 included 100 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters’ indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 1 commenced on August 16, 2016 and concluded on August 30, 2016, but the aggregate bids of approximately \$23.1 billion did not exceed the approximately \$88.4 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 2.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

- Stage 2: The reverse auction phase of Stage 2 began on September 13, 2016 and concluded on October 13, 2016. Pursuant to the FCC's procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 2, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 2 would have had to have exceeded approximately \$56.5 billion. The forward auction phase of Stage 2 included 90 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters' indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 2 commenced and concluded on October 19, 2016, but the aggregate bids of approximately \$21.5 billion did not exceed the approximately \$56.5 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 3.
- Stage 3: The reverse auction phase of Stage 3 commenced on November 1, 2016.

See Note 10 "Commitments and Contingencies — DISH Network Spectrum" in the Notes to our Condensed Consolidated Financial Statements for further information.

DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses

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 over \$10.0 billion in 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. On October 27, 2015, the FCC granted certain AWS-3 wireless spectrum licenses (the "AWS-3 Licenses") to Northstar Wireless and to SNR Wireless, respectively, which are recorded in "FCC authorizations" on our Condensed Consolidated Balance Sheets. 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 in the Notes to our Condensed Consolidated Financial Statements for further information. The AWS-3 Licenses are subject to certain interim and final build-out requirements. We may need to make significant additional loans to the Northstar Entities and to the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate these AWS-3 Licenses, and comply with regulations applicable to such AWS-3 Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. See Note 10 "Commitments and Contingencies — DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses" in the Notes to our Condensed Consolidated Financial Statements for further information.

We may need to raise significant additional capital in the future to fund the efforts described above, which may not be available on acceptable terms or at all. There can be no assurance that we, the Northstar Entities and/or the SNR Entities will be able to develop and implement business models that will realize a return on these wireless spectrum licenses or that we, the Northstar Entities and/or the SNR Entities will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying amount of these assets and our future financial condition or results of operations. See Note 10 “Commitments and Contingencies” in the Notes to our Condensed Consolidated Financial Statements for further information.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Trends in our Pay-TV and Broadband Segment

Competition

Competition has intensified in recent years as the pay-TV industry has matured. With respect to our DISH branded pay TV services, we and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers of pay-TV services. Some of our competitors have been especially aggressive by offering discounted programming and services for both new and existing subscribers, including bundled offers combining broadband, video and/or wireless services and other promotional offers. In some cases, certain competitors have been able to potentially subsidize the price of video services with the price of broadband and/or wireless services. We incur significant costs to retain our existing DISH branded pay-TV customers, mostly as a result of upgrading their equipment to HD and DVR receivers and by providing retention credits. Our subscriber retention costs may vary significantly from period to period. Our Pay-TV services also face increased competition from content providers and other companies who distribute video directly to consumers over the Internet. Programming offered over the Internet has become more prevalent and consumers are spending an increasing amount of time accessing video content via the Internet on their mobile devices. Significant changes in consumer behavior with regard to the means by which consumers obtain video entertainment and information in response to digital media competition could have a material adverse effect on our business, results of operations and financial condition or otherwise disrupt our business. In particular, consumers have shown increased interest in viewing certain video programming in any place, at any time and/or on any broadband-connected device they choose. Online content providers may cause our subscribers to disconnect our services ("cord cutting"), downgrade to smaller, less expensive programming packages ("cord shaving") or elect to purchase through these online content providers a certain portion of the services that they would have historically purchased from us, such as pay per view movies, resulting in less revenue to us.

We implement new marketing promotions from time to time that are intended to increase our gross new Pay-TV subscriber activations. During 2015 and early 2016, we launched various marketing promotions offering certain DISH branded pay-TV programming packages without a price increase for a limited time period. During the third quarter 2016, we launched our Flex Pack skinny bundle with a core package of programming consisting of more than 50 channels and the choice of one of eight themed add-on channel packs, which include local broadcast networks and kids, national and regional sports and general entertainment programming. In addition, subscribers can add or remove channel packs to best suit their entertainment needs. While we plan to implement other new marketing efforts, there can be no assurance that we will ultimately be successful in increasing our gross new Pay-TV subscriber activations. Additionally, in response to our efforts, we may face increased competitive pressures, including aggressive marketing, more aggressive retention efforts, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers.

In addition, our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate continue to be negatively impacted by stricter customer acquisition and retention policies for our DISH branded pay-TV subscribers, including an increased emphasis on acquiring and retaining higher quality subscribers, as well as increased competitive pressures, including aggressive marketing, more aggressive retention efforts, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers.

Our Pay-TV subscriber base has been declining due to, among other things, the factors described above. There can be no assurance that our Pay-TV subscriber base will not continue to decline. In the event that our Pay-TV subscriber base continues to decline, it could have a material adverse long-term effect on our business, results of operations, financial condition and cash flow.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Programming

Our ability to compete successfully will depend, among other things, on our ability to continue to obtain desirable programming and deliver it to our subscribers at competitive prices. Programming costs represent a large percentage of our “Subscriber-related expenses” and the largest component of our total expense. We expect these costs to continue to increase, and certain programming costs are rising at a much faster rate than wages or inflation, especially for local broadcast channels. The rates we are charged for retransmitting local broadcast channels have been increasing substantially and may exceed our ability to increase our prices to our customers. In addition, programming costs continue to increase due to contractual price increases and the renewal of long-term programming contracts on less favorable pricing terms. Going forward, our margins may face pressure if we are unable to renew our long-term programming contracts on acceptable pricing and other economic terms or if we are unable to pass these increased programming costs on to our customers.

Increases in programming costs generally cause us to increase the rates that we charge to our subscribers, which could in turn cause our existing Pay-TV subscribers to disconnect our service or cause potential new Pay-TV subscribers to choose not to subscribe to our service. Additionally, even if our subscribers do not disconnect our services, they may purchase through new and existing online content providers a certain portion of the services that they would have historically purchased from us, such as pay-per-view movies, resulting in less revenue to us.

Furthermore, our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate may be negatively impacted if we are unable to renew our long-term programming carriage contracts before they expire. In the past, our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively impacted as a result of programming interruptions and threatened programming interruptions in connection with the scheduled expiration of programming carriage contracts with content providers, including, among others, Tribune Broadcasting Company (“Tribune”) during the second and third quarters of 2016. We cannot predict with any certainty the impact to our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate resulting from similar programming interruptions or threatened programming interruptions that may occur in the future. As a result, we may at times suffer from periods of lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions or higher net Pay-TV subscriber losses, and higher Pay-TV churn rates.

Operations and Customer Service

While competitive factors have impacted the entire pay-TV industry, our relative performance has also been driven by issues specific to us. In the past, our subscriber growth has been adversely affected by signal theft and other forms of fraud and by our operational inefficiencies. To combat signal theft and improve the security of our broadcast system, we use microchips embedded in credit card sized access cards, called “smart cards,” or security chips in our DBS receiver systems to control access to authorized programming content (“Security Access Devices”). We expect that future replacements of these devices will be necessary to keep our system secure. To combat other forms of fraud, among other things, we monitor our independent distributors’ and independent retailers’ adherence to our business rules.

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

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Changes in our Technology

We have been deploying DBS receivers that utilize 8PSK modulation technology with MPEG-4 compression technology for several years. These technologies, when fully deployed, will allow improved broadcast efficiency, and therefore allow increased programming capacity. Many of our customers today, however, do not have DBS receivers that use MPEG-4 compression technology. In addition, given that all of our HD content is broadcast in MPEG-4, any growth in HD penetration will naturally accelerate our transition to these newer technologies and may increase our subscriber acquisition and retention costs. All new DBS receivers that we purchase from EchoStar Corporation (“EchoStar”) have MPEG-4 compression with 8PSK modulation technology.

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

EXPLANATION OF KEY METRICS AND OTHER ITEMS

Subscriber-related revenue. “Subscriber-related revenue” consists principally of revenue from basic, premium movie, local, HD programming, pay-per-view, Latino and international subscriptions; broadband services; equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment, equipment upgrade fees and additional outlet fees; advertising services; fees earned from our in-home service operations and other subscriber revenue. Certain of the amounts included in “Subscriber-related revenue” are not recurring on a monthly basis.

Equipment sales and other revenue. “Equipment sales and other revenue” principally includes the non-subsidized sales of DBS accessories to independent retailers and other independent distributors of our equipment and revenue from equipment sales and other agreements with EchoStar.

Subscriber-related expenses. “Subscriber-related expenses” principally include programming expenses, which represent a substantial majority of these expenses. “Subscriber-related expenses” also include costs for Pay-TV and broadband services incurred in connection with our in-home service and call center operations, billing costs, refurbishment and repair costs related to DBS receiver systems and broadband equipment, subscriber retention, other variable subscriber expenses and monthly wholesale fees paid to broadband providers.

Satellite and transmission expenses. “Satellite and transmission expenses” includes the cost of leasing satellite and transponder capacity from EchoStar and the cost of digital broadcast operations provided to us by EchoStar, including satellite uplinking/downlinking, signal processing, conditional access management, telemetry, tracking and control, and other professional services. “Satellite and transmission expenses” also includes executory costs associated with capital leases and costs associated with transponder leases and other related services. In addition, “Satellite and transmission expenses” includes costs associated with our Sling TV services including, among other things, streaming delivery technology and infrastructure.

Cost of sales - equipment and other. “Cost of sales - equipment and other” primarily includes the cost of non-subsidized sales of DBS accessories to independent retailers and other independent distributors of our equipment and costs related to equipment sales and other agreements with EchoStar.

Subscriber acquisition costs. While we primarily lease DBS receiver systems and Broadband modem equipment, we also subsidize certain costs to attract new subscribers. Our “Subscriber acquisition costs” include the cost of subsidized sales of DBS receiver systems to independent retailers and other independent distributors of our equipment, the cost of subsidized sales of DBS receiver systems directly by us to subscribers, including net costs related to our promotional incentives, costs related to our direct sales efforts and costs related to installation and acquisition advertising. Our “Subscriber acquisition costs” also includes costs associated with acquiring Sling TV subscribers including, among other things, costs related to acquisition advertising, our direct sales efforts and commissions.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

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

General and administrative expenses. “General and administrative expenses” consists primarily of employee-related costs associated with administrative services such as legal, information systems and accounting and finance. It also includes outside professional fees (e.g., legal, information systems and accounting services) and other items associated with facilities and administration.

Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” primarily includes interest expense (net of capitalized interest), prepayment premiums and amortization of debt issuance costs associated with our long-term debt, and interest expense associated with our capital lease obligations. See Note 2 in the Notes to our Condensed Consolidated Financial Statements for further information regarding our capitalized interest policy.

Other, net. The main components of “Other, net” are gains and losses realized on the sale and/or conversion of marketable and non-marketable investment securities and derivative financial instruments, impairment of marketable and non-marketable investment securities, unrealized gains and losses from changes in fair value of derivative financial instruments, and equity in earnings and losses of our affiliates.

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

Pay-TV subscribers. We include customers obtained through direct sales, independent retailers and other independent distribution relationships in our Pay-TV subscriber count. We also provide DISH branded pay-TV service to hotels, motels and other commercial accounts. For certain of these commercial accounts, we previously divided our total revenue for these commercial accounts by an amount approximately equal to the retail price of our DISH America programming package, and included the resulting number, which is substantially smaller than the actual number of commercial units served, in our Pay-TV subscriber count. During the third quarter 2016, we launched our Flex Pack programming package that represents our lowest tier programming package under which a new subscriber can activate, and, effective September 30, 2016, we began dividing the total revenue for these certain commercial accounts by an amount approximately equal to the retail price of our Flex Pack programming package. The impact of this change was an increase to our ending subscriber count of approximately 166,000 subscribers as of September 30, 2016. This had no impact on our gross new Pay-TV subscriber activations, net Pay-TV subscriber losses or Pay-TV churn rate for all periods presented. Prior to 2015, we launched our Sling International video programming service, which historically represented a small percentage of our Pay-TV subscribers. During February and June 2015, we launched our Sling domestic and Sling Latino services, respectively. All Sling TV subscribers are included in our Pay-TV subscriber count. Sling TV subscribers receiving service for no charge, under certain new subscriber promotions, are excluded from our Pay-TV subscriber count. Sling TV subscribers are reported net of disconnects in our gross new Pay-TV subscriber activations. For customers who subscribe to both our DISH branded pay-TV service and our Sling branded pay-TV services, each subscription is counted as a separate Pay-TV subscriber.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Broadband subscribers. We include customers who subscribe to either our satellite broadband service or our wireline broadband service under the dishNET brand as Broadband subscribers. Each broadband customer is counted as one Broadband subscriber, regardless of whether they are also a Pay-TV subscriber. A subscriber of both our Pay-TV and broadband services is counted as one Pay-TV subscriber and one Broadband subscriber.

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

Pay-TV average monthly subscriber churn rate ("Pay-TV churn rate"). We are not aware of any uniform standards for calculating subscriber churn rate and believe presentations of subscriber churn rates may not be calculated consistently by different companies in the same or similar businesses. We calculate Pay-TV churn rate for any period by dividing the number of DISH branded pay-TV subscribers who terminated service during the period by the average number of Pay-TV subscribers for the same period, and further dividing by the number of months in the period. When calculating the Pay-TV churn rate, the same methodology for calculating average number of Pay-TV subscribers is used as when calculating Pay-TV ARPU. As described above, Sling TV subscribers are reported net of disconnects in our gross new Pay-TV subscriber activations. Therefore, to the extent that our Sling TV subscriber base grows, our Pay-TV churn rate will be positively impacted.

Free cash flow. We define free cash flow as "Net cash flows from operating activities" less "Purchases of property and equipment" and "Capitalized interest related to FCC authorizations," as shown on our Condensed Consolidated Statements of Cash Flows.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

RESULTS OF OPERATIONS

Three Months Ended September 30, 2016 Compared to the Three Months Ended September 30, 2015.

Statements of Operations Data	For the Three Months Ended September 30,		Variance Amount	%
	2016	2015		
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 3,731,528	\$ 3,704,259	\$ 27,269	0.7
Equipment sales and other revenue	14,583	29,306	(14,723)	(50.2)
Total revenue	3,746,111	3,733,565	12,546	0.3
Costs and Expenses:				
Subscriber-related expenses	2,219,188	2,182,117	37,071	1.7
% of Subscriber-related revenue	59.5	% 58.9		
Satellite and transmission expenses	185,254	195,468	(10,214)	(5.2)
% of Subscriber-related revenue	5.0	% 5.3		
Cost of sales - equipment and other	11,352	18,787	(7,435)	(39.6)
Subscriber acquisition costs	406,010	456,622	(50,612)	(11.1)
General and administrative expenses	195,503	186,654	8,849	4.7
% of Total revenue	5.2	% 5.0		
Depreciation and amortization	232,484	252,197	(19,713)	(7.8)
Total costs and expenses	3,249,791	3,291,845	(42,054)	(1.3)
Operating income (loss)	496,320	441,720	54,600	12.4
Other Income (Expense):				
Interest income	7,385	3,273	4,112	*
Interest expense, net of amounts capitalized	(19,666)	(142,834)	123,168	86.2
Other, net	3,103	28,782	(25,679)	(89.2)
Total other income (expense)	(9,178)	(110,779)	101,601	91.7
Income (loss) before income taxes	487,142	330,941	156,201	47.2
Income tax (provision) benefit, net	(174,935)	(128,331)	(46,604)	(36.3)
Effective tax rate	35.9	% 38.8		

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Net income (loss)	312,207	202,610	109,597	54.1
Less: Net income (loss) attributable to noncontrolling interests, net of tax	4,781	6,131	(1,350)	(22.0)
Net income (loss) attributable to DISH Network	\$ 307,426	\$ 196,479	\$ 110,947	56.5
Other Data:				
Pay-TV subscribers, as of period end (in millions)	13.643	13.909	(0.266)	(1.9)
Pay-TV subscriber additions, gross (in millions)	0.736	0.751	(0.015)	(2.0)
Pay-TV subscriber additions (losses), net (in millions)	(0.116)	(0.023)	(0.093)	*
Pay-TV average monthly subscriber churn rate ("Pay-TV churn rate")	2.11	% 1.86	% 0.25	% 13.4
Pay-TV average subscriber acquisition cost per subscriber ("Pay-TV SAC")	\$ 640	\$ 736	\$ (96)	(13.0)
Pay-TV average monthly revenue per subscriber ("Pay-TV ARPU")	\$ 89.44	\$ 86.33	\$ 3.11	3.6
Broadband subscribers, as of period end (in millions)	0.593	0.608	(0.015)	(2.5)
Broadband subscriber additions, gross (in millions)	0.039	0.066	(0.027)	(40.9)
Broadband subscriber additions (losses), net (in millions)	(0.020)	0.013	(0.033)	*
EBITDA	\$ 727,126	\$ 716,568	\$ 10,558	1.5

* Percentage is not meaningful.

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Pay-TV subscribers. We lost approximately 116,000 net Pay-TV subscribers during the three months ended September 30, 2016, compared to the loss of approximately 23,000 net Pay-TV subscribers during the same period in 2015. The increase in net Pay-TV subscriber losses during the three months ended September 30, 2016 compared to the same period in 2015 primarily resulted from a higher Pay-TV churn rate and lower gross new Pay-TV subscriber activations.

Our Pay-TV churn rate for the three months ended September 30, 2016 was 2.11% compared to 1.86% for the same period in 2015. Our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers, as well as cord cutting. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, programming interruptions in connection with the scheduled expiration of certain programming carriage contracts, our ability to control piracy and other forms of fraud and the level of our retention efforts. As part of our increased emphasis on retaining higher quality subscribers, we have been more selective in issuing retention credits, which has had a negative impact on our Pay-TV churn rate.

During the three months ended September 30, 2016, we activated approximately 736,000 gross new Pay-TV subscribers compared to approximately 751,000 gross new Pay-TV subscribers during the same period in 2015, a decrease of 2.0%. This decrease in our gross new Pay-TV subscriber activations was primarily impacted by stricter customer acquisition policies for our DISH branded pay-TV subscribers, including an increased emphasis on acquiring higher quality subscribers, as well as increased competitive pressures, including aggressive marketing, more aggressive retention efforts, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers. This decrease was partially offset by an increase in Sling TV subscriber activations. In addition, our ending Pay-TV subscriber count increased by approximately 166,000 subscribers as of September 30, 2016 as a result of the change in our calculation for our commercial accounts. This had no impact on our gross new Pay-TV subscriber activations, net Pay-TV subscriber losses or Pay-TV churn rate for all periods presented. See "Explanation of Key Metrics and Other Items – Pay-TV Subscribers" for further information.

Our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively impacted as a result of programming interruptions and threatened programming interruptions in connection with the scheduled expiration of programming carriage contracts with content providers, including, among others, Tribune during the second and third quarters of 2016. We cannot predict with any certainty the impact to our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate resulting from similar programming interruptions or threatened programming interruptions that may occur in the future. As a result, we may at times suffer from periods of lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions or higher net Pay-TV subscriber losses, and higher Pay-TV churn rates.

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

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Broadband subscribers. We lost approximately 20,000 net Broadband subscribers during the three months ended September 30, 2016, compared to the addition of approximately 13,000 net Broadband subscribers during the same period in 2015. The net Broadband subscriber losses during the three months ended September 30, 2016 primarily resulted from lower gross new Broadband subscriber activations and a higher number of customer disconnects. During the three months ended September 30, 2016 and 2015, we activated approximately 39,000 and 66,000 gross new Broadband subscribers, respectively. Gross new Broadband subscriber activations declined primarily due to stricter customer acquisition policies, including an increased emphasis on acquiring higher quality subscribers, lower gross Pay-TV subscriber activations and satellite capacity constraints in certain geographic areas. Customer disconnects have been negatively impacted, in part, by our increased emphasis on retaining higher quality subscribers, which includes, among other things, being more selective in issuing retention credits.

Subscriber-related revenue. "Subscriber-related revenue" totaled \$3.732 billion for the three months ended September 30, 2016, an increase of \$27 million or 0.7% compared to the same period in 2015. The change in "Subscriber-related revenue" from the same period in 2015 was primarily related to the increase in Pay-TV ARPU discussed below, partially offset by a lower average Pay-TV subscriber base. Included in "Subscriber-related revenue" was \$114 million and \$110 million of revenue related to our broadband services for the three months ended September 30, 2016 and 2015, respectively, representing 3.1% and 3.0% of our total "Subscriber-related revenue," respectively.

Pay-TV ARPU. Pay-TV ARPU was \$89.44 during the three months ended September 30, 2016 versus \$86.33 during the same period in 2015. The \$3.11 or 3.6% increase in Pay-TV ARPU was primarily attributable to the DISH branded pay-TV programming package price increases in February 2016 and 2015. These increases were partially offset by a shift in DISH branded pay-TV programming package mix and an increase in Sling TV subscribers. Sling TV subscribers generally have lower priced programming packages than DISH branded pay-TV subscribers, and therefore, to the extent that Sling TV subscribers increase, it has a negative impact on Pay-TV ARPU.

Subscriber-related expenses. "Subscriber-related expenses" totaled \$2.219 billion during the three months ended September 30, 2016, an increase of \$37 million or 1.7% compared to the same period in 2015. The increase in "Subscriber-related expenses" was primarily attributable to higher programming costs, partially offset by a lower average Pay-TV subscriber base. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates, particularly for local broadcast channels. Included in "Subscriber-related expenses" was \$69 million and \$68 million of expense related to our broadband services for the three months ended September 30, 2016 and 2015, respectively. "Subscriber-related expenses" represented 59.5% and 58.9% of "Subscriber-related revenue" during the three months ended September 30, 2016 and 2015, respectively. The change in this expense to revenue ratio primarily resulted from higher programming costs, discussed above.

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

Subscriber acquisition costs. “Subscriber acquisition costs” totaled \$406 million during the three months ended September 30, 2016, a decrease of \$51 million or 11.1% compared to the same period in 2015. This change was primarily attributable to a decrease in Pay-TV SAC, discussed below, fewer gross new Pay-TV subscriber activations, and a decrease in expense related to our Broadband subscriber activations. Included in “Subscriber acquisition costs” was \$15 million and \$29 million of expenses related to our broadband services for the three months ended September 30, 2016 and 2015, respectively.

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Pay-TV SAC. Pay-TV SAC was \$640 during the three months ended September 30, 2016 compared to \$736 during the same period in 2015, a decrease of \$96 or 13.0%. This change was primarily attributable to an increase in Sling TV subscriber activations and a decrease in hardware costs per activation, partially offset by an increase in advertising costs. The decrease in hardware costs per activation was primarily due to a higher percentage of remanufactured receivers being activated on new DISH branded pay-TV subscriber accounts and by a reduction in manufacturing costs related to certain receiver systems. This decrease in hardware costs was partially offset by an increase in the percentage of new DISH branded pay-TV subscriber activations with Hopper 3 receiver systems, which have a higher cost per unit than the prior generation Hopper receiver systems. Subscriber acquisition costs for Sling TV subscribers are lower than those for DISH branded pay-TV subscribers, and therefore, to the extent that Sling TV subscriber activations increase, it has a positive impact on Pay-TV SAC.

During the three months ended September 30, 2016 and 2015, the amount of equipment capitalized under our lease program for new DISH branded pay-TV subscribers totaled \$80 million and \$125 million, respectively. This decrease in capital expenditures under our lease program for new DISH branded pay-TV subscribers resulted primarily from fewer gross new Pay-TV subscriber activations and a decrease in hardware costs per activation, discussed above.

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

Our "Subscriber acquisition costs" and "Pay-TV SAC" may materially increase in the future to the extent that we, among other things, transition to newer technologies, introduce more aggressive promotions, or provide greater equipment subsidies. See "Liquidity and Capital Resources — Subscriber Acquisition and Retention Costs" for further information.

Interest expense, net of amounts capitalized. "Interest expense, net of amounts capitalized" totaled \$20 million during the three months ended September 30, 2016, a decrease of \$123 million compared to the same period in 2015. This decrease was primarily related to an increase of \$161 million in capitalized interest principally associated with wireless spectrum and a reduction in interest expense as a result of redemptions and repurchases of debt during 2016 and 2015, partially offset by interest expense associated with the issuance of our 3 3/8% Convertible Notes due 2026 (the "Convertible Notes due 2026") and our 7 3/4% Senior Notes due 2026. On October 27, 2015, the FCC granted certain AWS-3 Licenses to Northstar Wireless and to SNR Wireless, respectively. We began capitalizing interest expense related to the commercialization of these wireless spectrum licenses in the fourth quarter 2015. See Note 2 in the Notes to our Condensed Consolidated Financial Statements for further information.

Other, net. "Other, net" income was \$3 million during the three months ended September 30, 2016, a decrease of \$26 million or 89.2% compared to the same period in 2015. This change resulted from a decrease in net realized and/or unrealized gains on our marketable investment securities and derivative financial instruments. See Note 6 in the Notes to our Condensed Consolidated Financial Statements for further information.

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Earnings before interest, taxes, depreciation and amortization. EBITDA was \$727 million during the three months ended September 30, 2016, an increase of \$11 million or 1.5% compared to the same period in 2015. The following table reconciles EBITDA to the accompanying financial statements.

	For the Three Months Ended September 30,	
	2016	2015
	(In thousands)	
EBITDA	\$ 727,126	\$ 716,568
Interest, net	(12,281)	(139,561)
Income tax (provision) benefit, net	(174,935)	(128,331)
Depreciation and amortization	(232,484)	(252,197)
Net income (loss) attributable to DISH Network	\$ 307,426	\$ 196,479

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

Income tax (provision) benefit, net. Our income tax provision was \$175 million during the three months ended September 30, 2016, an increase of \$47 million compared to the same period in 2015. The increase in the provision was primarily related to the increase in "Income (loss) before income taxes," partially offset by a decrease in our effective tax rate.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015.

Statements of Operations Data	For the		Variance Amount	%
	2016	2015		
	(In thousands)			
Revenue:				
Subscriber-related revenue	\$ 11,333,222	\$ 11,199,205	\$ 134,017	1.2
Equipment sales and other revenue	37,160	91,013	(53,853)	(59.2)
Total revenue	11,370,382	11,290,218	80,164	0.7
Costs and Expenses:				
Subscriber-related expenses	6,682,761	6,589,372	93,389	1.4
% of Subscriber-related revenue	59.0	% 58.8		
Satellite and transmission expenses	539,792	576,752	(36,960)	(6.4)
% of Subscriber-related revenue	4.8	% 5.1		
Cost of sales - equipment and other	35,036	73,087	(38,051)	(52.1)
Subscriber acquisition costs	1,142,432	1,268,014	(125,582)	(9.9)
General and administrative expenses	584,344	562,128	22,216	4.0
% of Total revenue	5.1	% 5.0		
Depreciation and amortization	715,730	761,295	(45,565)	(6.0)
Total costs and expenses	9,700,095	9,830,648	(130,553)	(1.3)
Operating income (loss)	1,670,287	1,459,570	210,717	14.4
Other Income (Expense):				
Interest income	20,326	15,383	4,943	32.1
Interest expense, net of amounts capitalized	(23,704)	(451,898)	428,194	94.8
Other, net	114,109	284,549	(170,440)	(59.9)
Total other income (expense)	110,731	(151,966)	262,697	*
Income (loss) before income taxes	1,781,018	1,307,604	473,414	36.2
Income tax (provision) benefit, net	(655,545)	(419,416)	(236,129)	(56.3)
Effective tax rate	36.8	% 32.1		
Net income (loss)	1,125,473	888,188	237,285	26.7
Less: Net income (loss) attributable to noncontrolling interests, net of tax	18,293	15,801	2,492	15.8
Net income (loss) attributable to DISH Network	\$ 1,107,180	\$ 872,387	\$ 234,793	26.9
Other Data:				
Pay-TV subscribers, as of period end (in millions)	13.643	13.909	(0.266)	(1.9)

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Pay-TV subscriber additions, gross (in millions)	1.920	2.112	(0.192)	(9.1)
Pay-TV subscriber additions (losses), net (in millions)	(0.420)	(0.069)	(0.351)	*
Pay-TV average monthly subscriber churn rate ("Pay-TV churn rate")	1.90	% 1.74	% 0.16	% 9.2
Pay-TV average subscriber acquisition cost per subscriber ("Pay-TV SAC")	\$ 682	\$ 722	\$ (40)	(5.5)
Pay-TV average monthly revenue per subscriber ("Pay-TV ARPU")	\$ 89.12	\$ 86.66	\$ 2.46	2.8
Broadband subscribers, as of period end (in millions)	0.593	0.608	(0.015)	(2.5)
Broadband subscriber additions, gross (in millions)	0.136	0.176	(0.040)	(22.7)
Broadband subscriber additions (losses), net (in millions)	(0.030)	0.031	(0.061)	*
EBITDA	\$ 2,481,833	\$ 2,489,613	\$ (7,780)	(0.3)

* Percentage is not meaningful.

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Pay-TV subscribers. We lost approximately 420,000 net Pay-TV subscribers during the nine months ended September 30, 2016, compared to the loss of approximately 69,000 net Pay-TV subscribers during the same period in 2015. The increase in net Pay-TV subscriber losses during the nine months ended September 30, 2016 compared to the same period in 2015 primarily resulted from a higher Pay-TV churn rate and lower gross new Pay-TV subscriber activations.

Our Pay-TV churn rate for the nine months ended September 30, 2016 was 1.90% compared to 1.74% for the same period in 2015. Our Pay-TV churn rate continues to be adversely affected by increased competitive pressures, including aggressive marketing, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers, as well as cord cutting. Our Pay-TV churn rate is also impacted by, among other things, the credit quality of previously acquired subscribers, our ability to consistently provide outstanding customer service, price increases, programming interruptions in connection with the scheduled expiration of certain programming carriage contracts, our ability to control piracy and other forms of fraud and the level of our retention efforts. As part of our increased emphasis on retaining higher quality subscribers, we have been more selective in issuing retention credits, which has had a negative impact on our Pay-TV churn rate.

During the nine months ended September 30, 2016, we activated approximately 1.920 million gross new Pay-TV subscribers compared to approximately 2.112 million gross new Pay-TV subscribers during the same period in 2015, a decrease of 9.1%. This decrease in our gross new Pay-TV subscriber activations was primarily impacted by stricter customer acquisition policies for our DISH branded pay-TV subscribers, including an increased emphasis on acquiring higher quality subscribers, as well as increased competitive pressures, including aggressive marketing, more aggressive retention efforts, bundled discount offers combining broadband, video and/or wireless services and other discounted promotional offers. This decrease was partially offset by an increase in Sling TV subscriber activations. In addition, our ending Pay-TV subscriber count increased by approximately 166,000 subscribers as of September 30, 2016 as a result of the change in our calculation for our commercial accounts. This had no impact on our gross new Pay-TV subscriber activations, net Pay-TV subscriber losses or Pay-TV churn rate for all periods presented. See "Explanation of Key Metrics and Other Items – Pay-TV Subscribers" for further information.

Our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate have been negatively impacted as a result of programming interruptions and threatened programming interruptions in connection with the scheduled expiration of programming carriage contracts with content providers, including, among others, Tribune during the second and third quarters of 2016. We cannot predict with any certainty the impact to our gross new Pay-TV subscriber activations, net Pay-TV subscriber additions and Pay-TV churn rate resulting from similar programming interruptions or threatened programming interruptions that may occur in the future. As a result, we may at times suffer from periods of lower gross new Pay-TV subscriber activations, lower net Pay-TV subscriber additions or higher net Pay-TV subscriber losses, and higher Pay-TV churn rates.

Broadband subscribers. We lost approximately 30,000 net Broadband subscribers during the nine months ended September 30, 2016, compared to the addition of approximately 31,000 net Broadband subscribers during the same period in 2015. The net Broadband subscriber losses during the nine months ended September 30, 2016 primarily resulted from lower gross new Broadband subscriber activations and a higher number of customer disconnects. During the nine months ended September 30, 2016 and 2015, we activated approximately 136,000 and 176,000 gross new Broadband subscribers, respectively. Gross new Broadband subscriber activations declined primarily due to stricter customer acquisition policies, including an increased emphasis on acquiring higher quality subscribers, lower gross Pay-TV subscriber activations and satellite capacity constraints in certain geographic areas. Customer disconnects have been negatively impacted, in part, by our increased emphasis on retaining higher quality subscribers, which includes, among other things, being more selective in issuing retention credits.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Subscriber-related revenue. "Subscriber-related revenue" totaled \$11.333 billion for the nine months ended September 30, 2016, an increase of \$134 million or 1.2% compared to the same period in 2015. The change in "Subscriber-related revenue" from the same period in 2015 was primarily related to the increase in Pay-TV ARPU discussed below, partially offset by a lower average Pay-TV subscriber base. Included in "Subscriber-related revenue" was \$347 million and \$327 million of revenue related to our broadband services for the nine months ended September 30, 2016 and 2015, respectively, representing 3.1% and 2.9% of our total "Subscriber-related revenue," respectively.

Pay-TV ARPU. Pay-TV ARPU was \$89.12 during the nine months ended September 30, 2016 versus \$86.66 during the same period in 2015. The \$2.46 or 2.8% increase in Pay-TV ARPU was primarily attributable to the DISH branded pay-TV programming package price increases in February 2016 and 2015. These increases were partially offset by a shift in DISH branded pay-TV programming package mix and an increase in Sling TV subscribers. Sling TV subscribers generally have lower priced programming packages than DISH branded pay-TV subscribers, and therefore, to the extent that Sling TV subscribers increase, it has a negative impact on Pay-TV ARPU. Pay-TV ARPU for the nine months ended September 30, 2015 was positively impacted by a significant pay-per-view event during the second quarter 2015.

Subscriber-related expenses. "Subscriber-related expenses" totaled \$6.683 billion during the nine months ended September 30, 2016, an increase of \$93 million or 1.4% compared to the same period in 2015. The increase in "Subscriber-related expenses" was primarily attributable to higher programming costs, partially offset by a lower average Pay-TV subscriber base. The increase in programming costs was driven by rate increases in certain of our programming contracts, including the renewal of certain contracts at higher rates, particularly for local broadcast channels. "Subscriber-related expenses" for the nine months ended September 30, 2015 included the impact of a significant pay-per-view event during the second quarter 2015. Included in "Subscriber-related expenses" was \$209 million and \$202 million of expense related to our broadband services for the nine months ended September 30, 2016 and 2015, respectively. "Subscriber-related expenses" represented 59.0% and 58.8% of "Subscriber-related revenue" during the nine months ended September 30, 2016 and 2015, respectively. The change in this expense to revenue ratio primarily resulted from higher programming costs, discussed above.

Subscriber acquisition costs. "Subscriber acquisition costs" totaled \$1.142 billion during the nine months ended September 30, 2016, a decrease of \$126 million or 9.9% compared to the same period in 2015. This change was primarily attributable to a decrease in Pay-TV SAC, discussed below, fewer gross new Pay-TV subscriber activations, and a decrease in expense related to our Broadband subscriber activations. Included in "Subscriber acquisition costs" was \$57 million and \$79 million of expenses related to our broadband services for the nine months ended September 30, 2016 and 2015, respectively.

Pay-TV SAC. Pay-TV SAC was \$682 during the nine months ended September 30, 2016 compared to \$722 during the same period in 2015, a decrease of \$40 or 5.5%. This change was primarily attributable to an increase in Sling TV subscriber activations and a decrease in hardware costs per activation, partially offset by an increase in advertising costs. The decrease in hardware costs per activation was primarily due to a higher percentage of remanufactured receivers being activated on new DISH branded pay-TV subscriber accounts and by a reduction in manufacturing costs related to certain receiver systems. This decrease in hardware costs was partially offset by an increase in the percentage of new DISH branded pay-TV subscriber activations with Hopper 3 receiver systems, which have a higher cost per unit than the prior generation Hopper receiver systems. Subscriber acquisition costs for Sling TV subscribers are lower than those for DISH branded pay-TV subscribers, and therefore, to the extent that Sling TV subscriber activations increase, it has a positive impact on Pay-TV SAC.

During the nine months ended September 30, 2016 and 2015, the amount of equipment capitalized under our lease program for new DISH branded pay-TV subscribers totaled \$224 million and \$335 million, respectively. This decrease in capital expenditures under our lease program for new DISH branded pay-TV subscribers resulted primarily from fewer gross new Pay-TV subscriber activations and a decrease in hardware costs per activation, discussed above.

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Interest expense, net of amounts capitalized. “Interest expense, net of amounts capitalized” totaled \$24 million during the nine months ended September 30, 2016, a decrease of \$428 million compared to the same period in 2015. This decrease was primarily related to an increase of \$411 million in capitalized interest principally associated with wireless spectrum and a reduction in interest expense as a result of redemptions and repurchases of debt during 2016 and 2015, partially offset by interest expense associated with the issuance of the Convertible Notes due 2026 and our 7 3/4% Senior Notes due 2026. On October 27, 2015, the FCC granted certain AWS-3 Licenses to Northstar Wireless and to SNR Wireless, respectively. We began capitalizing interest expense related to the commercialization of these wireless spectrum licenses in the fourth quarter 2015. See Note 2 in the Notes to our Condensed Consolidated Financial Statements for further information.

Other, net. “Other, net” income was \$114 million during the nine months ended September 30, 2016, a decrease of \$170 million or 59.9% compared to the same period in 2015. This change resulted from a decrease in net realized and/or unrealized gains on our derivative financial instruments. See Note 6 in the Notes to our Condensed Consolidated Financial Statements for further information.

Earnings before interest, taxes, depreciation and amortization. EBITDA was \$2.482 billion during the nine months ended September 30, 2016, a decrease of \$8 million or 0.3% compared to the same period in 2015. EBITDA during the nine months ended September 30, 2016 was negatively impacted by the decrease of \$170 million in “Other, net” income compared to the same period in 2015. The following table reconciles EBITDA to the accompanying financial statements.

	For the Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
EBITDA	\$ 2,481,833	\$ 2,489,613
Interest, net	(3,378)	(436,515)
Income tax (provision) benefit, net	(655,545)	(419,416)
Depreciation and amortization	(715,730)	(761,295)
Net income (loss) attributable to DISH Network	\$ 1,107,180	\$ 872,387

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

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

Income tax (provision) benefit, net. Our income tax provision was \$656 million during the nine months ended September 30, 2016, an increase of \$236 million compared to the same period in 2015. The increase in the provision was primarily related to the increase in “Income (loss) before income taxes” and an increase in our effective tax rate. During the nine months ended September 30, 2015, our effective tax rate was positively impacted by a \$63 million credit that was previously recorded in “Accumulated other comprehensive income (loss)” and was released to our income tax provision during the nine months ended September 30, 2015. See Note 5 in the Notes to our Condensed Consolidated Financial Statements for further information.

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LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Current Marketable Investment Securities

We consider all liquid investments purchased within 90 days of their maturity to be cash equivalents. See Note 6 in the Notes to our Condensed Consolidated Financial Statements for further information regarding our marketable investment securities. As of September 30, 2016, our cash, cash equivalents and current marketable investment securities totaled \$4.961 billion compared to \$1.611 billion as of December 31, 2015, an increase of \$3.350 billion. This increase in cash, cash equivalents and current marketable investment securities primarily resulted from \$4.973 billion in net proceeds from the issuance of our 7 3/4% Senior Notes due 2026 and the Convertible Notes due 2026, cash generated from operating activities of \$2.152 billion and a \$562 million settlement of our derivative financial instruments. These amounts were partially offset by the redemption of our 7 1/8% Senior Notes with an aggregate principal balance of \$1.5 billion, capital expenditures of \$1.047 billion (including capitalized interest related to FCC authorizations), \$260 million in net cost incurred in connection with the convertible note hedge and warrant transactions and a refundable payment to a third party in connection with a potential asset purchase.

Cash Flow

The following discussion highlights our cash flow activities during the nine months ended September 30, 2016.

Cash flows from operating activities

For the nine months ended September 30, 2016, we reported “Net cash flows from operating activities” of \$2.152 billion primarily attributable to \$2.015 billion of net income adjusted to exclude the non-cash items for “Depreciation and amortization” expense, “Realized and unrealized losses (gains) on investments” and “Deferred tax expense (benefit).” In addition, “Net cash flows from operating activities” was impacted by the timing difference between book expense and cash payments including income taxes.

Cash flows from investing activities

For the nine months ended September 30, 2016, we reported outflows from “Net cash flows from investing activities” of \$1.621 billion primarily related to capital expenditures of \$1.047 billion (including capitalized interest related to FCC authorizations) and a refundable payment to a third party in connection with a potential asset purchase, partially offset by a \$562 million settlement of our derivative financial instruments and \$351 million in net sales of marketable investment securities. The capital expenditures included \$564 million of capitalized interest related to FCC authorizations, \$350 million for new and existing Pay-TV subscriber equipment, \$9 million for new and existing Broadband subscriber equipment, \$51 million for satellites and \$73 million of other corporate capital expenditures.

Cash flows from financing activities

For the nine months ended September 30, 2016, we reported “Net cash flows from financing activities” of \$3.200 billion primarily related to \$1.992 billion in net proceeds from the issuance of our 7 3/4% Senior Notes due 2026 and \$2.981 billion in net proceeds from the issuance of the Convertible Notes due 2026, partially offset by the redemption of our 7 1/8% Senior Notes with an aggregate principal balance of \$1.5 billion and \$260 million in net cost incurred in connection with the convertible note hedge and warrant transactions.

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Free Cash Flow

We define free cash flow as “Net cash flows from operating activities” less “Purchases of property and equipment,” and “Capitalized interest related to FCC authorizations,” as shown on our Condensed Consolidated Statements of Cash Flows. We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions and for certain other activities. Free cash flow is not a measure determined in accordance with GAAP and should not be considered a substitute for “Operating income,” “Net income,” “Net cash flows from operating activities” or any other measure determined in accordance with GAAP. Since free cash flow includes investments in operating assets, we believe this non-GAAP liquidity measure is useful in addition to the most directly comparable GAAP measure “Net cash flows from operating activities.”

Free cash flow can be significantly impacted from period to period by changes in operating assets and liabilities and in “Purchases of property and equipment” as shown in the “Net cash flows from operating activities” and “Net cash flows from investing activities” sections, respectively, of our Condensed Consolidated Statements of Cash Flows included herein. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management’s timing of payments and control of inventory levels, and cash receipts. In addition to fluctuations resulting from changes in operating assets and liabilities, free cash flow can vary significantly from period to period depending upon, among other things, subscriber growth, subscriber revenue, subscriber churn, subscriber acquisition and retention costs including amounts capitalized under our equipment lease programs, operating efficiencies, increases or decreases in purchases of property and equipment, commercialization of our wireless spectrum and other factors.

The following table reconciles free cash flow to “Net cash flows from operating activities.”

	For the Nine Months Ended September 30,	
	2016	2015
	(In thousands)	
Free cash flow	\$ 1,105,233	\$ 1,436,735
Add back:		
Purchases of property and equipment (including capitalized interest related to FCC authorizations)	1,047,157	793,302
Net cash flows from operating activities	\$ 2,152,390	\$ 2,230,037

Operational Liquidity

We make general investments in property such as satellites, set-top boxes, information technology and facilities that support our overall business. Moreover, since we are primarily a subscriber-based company, we also make subscriber-specific investments to acquire new subscribers and retain existing subscribers. While the general investments may be deferred without impacting the business in the short-term, the subscriber-specific investments are less discretionary. Our overall objective is to generate sufficient cash flow over the life of each subscriber to provide an adequate return against the upfront investment. Once the upfront investment has been made for each subscriber, the subsequent cash flow is generally positive, but there can be no assurances that over time we will recoup or earn a return on the upfront investment.

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

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

Subscriber Base

We lost approximately 420,000 net Pay-TV subscribers during the nine months ended September 30, 2016, compared to the loss of approximately 69,000 net Pay-TV subscribers during the same period in 2015. The increase in net Pay-TV subscriber losses during the nine months ended September 30, 2016 compared to the same period in 2015 primarily resulted from a higher Pay-TV churn rate and lower gross new Pay-TV subscriber activations. See "Results of Operations" above for further information.

Subscriber Acquisition and Retention Costs

We incur significant upfront costs to acquire subscribers, including advertising, retailer incentives, equipment subsidies, installation services, and/or new customer promotions. While we attempt to recoup these upfront costs over the lives of their subscription, there can be no assurance that we will be successful in achieving that objective. With respect to our DISH branded pay-TV service, we employ business rules such as minimum credit requirements for prospective customers and contractual commitments to receive service for a minimum term. We strive to provide outstanding customer service, to increase the likelihood of customers keeping their Pay-TV services over longer periods of time. Our subscriber acquisition costs may vary significantly from period to period.

We incur significant costs to retain our existing DISH branded pay-TV customers, mostly by upgrading their equipment to HD and DVR receivers and by providing retention credits. As with our subscriber acquisition costs, our retention upgrade spending includes the cost of equipment and installation services. In certain circumstances, we also offer programming at no additional charge and/or promotional pricing for limited periods to existing customers in exchange for a contractual commitment to receive service for a minimum term. A component of our retention efforts includes the installation of equipment for customers who move. Our subscriber retention costs may vary significantly from period to period.

Seasonality

Historically, the first half of the year generally produces fewer gross new Pay-TV subscriber activations than the second half of the year, as is typical in the pay-TV industry. In addition, the first and fourth quarters generally produce a lower churn rate than the second and third quarters. However, we cannot provide assurance that this will continue in the future.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Satellites

Operation of our DISH branded pay-TV service requires that we have adequate satellite transmission capacity for the programming that we offer. Moreover, current competitive conditions require that we continue to expand our offering of new programming. While we generally have had in-orbit satellite capacity sufficient to transmit our existing channels and some backup capacity to recover the transmission of certain critical programming, our backup capacity is limited. In the event of a failure or loss of any of our owned or leased satellites, we may need to acquire or lease additional satellite capacity or relocate one of our other satellites and use it as a replacement for the failed or lost satellite. Such a failure could result in a prolonged loss of critical programming or a significant delay in our plans to expand programming as necessary to remain competitive and cause us to expend a significant portion of our cash to acquire or lease additional satellite capacity.

Security Systems

Increases in theft of our signal or our competitors' signals could, in addition to reducing gross new subscriber activations, also cause subscriber churn to increase. We use Security Access Devices in our DBS receiver systems to control access to authorized programming content. Our signal encryption has been compromised in the past and may be compromised in the future even though we continue to respond with significant investment in security measures, such as Security Access Device replacement programs and updates in security software, that are intended to make signal theft more difficult. It has been our prior experience that security measures may only be effective for short periods of time or not at all and that we remain susceptible to additional signal theft. We expect that future replacements of Security Access Devices will be necessary to keep our system secure. We cannot ensure that we will be successful in reducing or controlling theft of our programming content and we may incur additional costs in the future if our system's security is compromised.

Covenants and Restrictions Related to our Long-Term Debt

We are subject to the covenants and restrictions set forth in the indentures related to our long-term debt. In particular, the indentures related to our outstanding senior notes issued by DISH DBS Corporation ("DISH DBS") contain restrictive covenants that, among other things, impose limitations on the ability of DISH DBS and its restricted subsidiaries to: (i) incur additional indebtedness; (ii) enter into sale and leaseback transactions; (iii) pay dividends or make distributions on DISH DBS' capital stock or repurchase DISH DBS' capital stock; (iv) make certain investments; (v) create liens; (vi) enter into certain transactions with affiliates; (vii) merge or consolidate with another company; and (viii) transfer or sell assets. Should we fail to comply with these covenants, all or a portion of the debt under the

senior notes and our other long-term debt could become immediately payable. The senior notes also provide that the debt may be required to be prepaid if certain change-in-control events occur. In addition, the Convertible Notes due 2026 provide that, if a “fundamental change” (as defined in the related indenture) occurs, holders may require us to repurchase for cash all or part of their Convertible Notes due 2026. As of the date of filing of this Quarterly Report on Form 10-Q, we and DISH DBS were in compliance with the covenants and restrictions related to our respective long-term debt.

Other

We are also vulnerable to fraud, particularly in the acquisition of new subscribers. While we are addressing the impact of subscriber fraud through a number of actions, there can be no assurance that we will not continue to experience fraud, which could impact our subscriber growth and churn. Economic weakness may create greater incentive for signal theft, piracy and subscriber fraud, which could lead to higher subscriber churn and reduced revenue.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Obligations and Future Capital Requirements

We expect to fund our future working capital, capital expenditures and debt service requirements from cash generated from operations, existing cash, cash equivalents and marketable investment securities balances, and cash generated through raising additional capital. The amount of capital required to fund our future working capital and capital expenditure needs varies, depending on, among other things, the rate at which we acquire new subscribers and the cost of subscriber acquisition and retention, including capitalized costs associated with our new and existing subscriber equipment lease programs. The majority of our capital expenditures for 2016, with the exception of the commercialization of our existing wireless spectrum licenses and potential purchase of additional wireless spectrum licenses discussed below, are expected to be driven by the costs associated with subscriber premises equipment and capital expenditures for our satellite-related obligations. These expenditures are necessary to operate and maintain our Pay-TV services. Consequently, we consider them to be non-discretionary. The amount of capital required will also depend on the levels of investment necessary to support potential strategic initiatives that may arise from time to time. Our capital expenditures vary depending on the number of satellites leased or under construction at any point in time, and could increase materially as a result of increased competition, significant satellite failures, or economic weakness and uncertainty. Our Pay-TV subscriber base has been declining and there can be no assurance that our Pay-TV subscriber base will not continue to decline. In the event that our Pay-TV subscriber base continues to decline, it could have a material adverse long-term effect on our cash flow. These factors, including a reduction in our available future cash flows, could require that we raise additional capital in the future.

Volatility in the financial markets has made it more difficult at times for issuers of high-yield indebtedness, such as us, to access capital markets at acceptable terms. These developments may have a significant effect on our cost of financing and our liquidity position.

Wireless

DISH Network Spectrum

We have invested over \$5.0 billion since 2008 to acquire certain wireless spectrum licenses and related assets. We will need to make significant additional investments or partner with others to, among other things, commercialize, build-out, and integrate these licenses and related assets, and any additional acquired licenses and related assets; and comply with regulations applicable to such licenses. Depending on the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such investments or partnerships could vary significantly. In addition, as we consider 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. We may also determine that additional wireless spectrum licenses may be required to commercialize our wireless business and to compete with other wireless service providers.

Auction 1000. On February 10, 2016, we filed an application with the FCC to potentially participate as a bidder in the forward auction phase of Auction 1000. The available spectrum in each licensed geographic area in Auction 1000 is generally comprised of certain paired 5x5 spectrum blocks (5 MHz uplink spectrum and 5 MHz downlink spectrum). As a result, a nationwide footprint may be obtained by aggregating a single 5x5 spectrum block in each available licensed geographic area.

Auction 1000 has had multiple stages, with each stage having two phases. With respect to each stage, in the first phase, or reverse auction phase, participating television broadcasters “sell” their rights to use certain broadcast television spectrum in the 600 MHz frequency range to the FCC. Then following the first phase of a stage, in the second phase, or forward auction phase, the FCC will “resell” that spectrum to auction participants. In the event that certain criteria are not met within a particular stage for Auction 1000 to conclude, Auction 1000 then proceeds to a subsequent stage with less available spectrum than the immediately preceding stage and lower spectrum clearing targets.

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Item 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Before the forward auction phase of Stage 1 of Auction 1000 began, a qualified bidder in the forward auction phase could make an upfront deposit of up to approximately \$5.4 billion. On July 15, 2016, the FCC announced that a subsidiary of DISH Network and 61 other applicants were qualified to participate in the forward auction phase of Auction 1000. The FCC determined that bidding in Auction 1000 will be “anonymous,” which means that prior to and during the course of the auction, the FCC will not make public any information about a specific applicant's upfront deposits or its bids. In addition, FCC rules restrict information that bidders may disclose about their participation in Auction 1000.

- Stage 1: The reverse auction phase of Stage 1 began on March 29, 2016 and concluded on June 29, 2016. Pursuant to the FCC's procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 1, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 1 would have had to have exceeded approximately \$88.4 billion. The forward auction phase of Stage 1 included 100 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters' indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 1 commenced on August 16, 2016 and concluded on August 30, 2016, but the aggregate bids of approximately \$23.1 billion did not exceed the approximately \$88.4 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 2.
- Stage 2: The reverse auction phase of Stage 2 began on September 13, 2016 and concluded on October 13, 2016. Pursuant to the FCC's procedures for Auction 1000 and based on the results of the reverse auction phase of Stage 2, in order for Auction 1000 to have concluded, the aggregate bids in the forward auction phase of Stage 2 would have had to have exceeded approximately \$56.5 billion. The forward auction phase of Stage 2 included 90 MHz of spectrum in over 90% of the available licensed geographic areas, based on the broadcasters' indicated availability of spectrum in the reverse auction phase. The forward auction phase of Stage 2 commenced and concluded on October 19, 2016, but the aggregate bids of approximately \$21.5 billion did not exceed the approximately \$56.5 billion required for Auction 1000 to conclude. As a result, Auction 1000 moved to Stage 3.
- Stage 3: The reverse auction phase of Stage 3 commenced on November 1, 2016.

See Note 10 “Commitments and Contingencies — DISH Network Spectrum” in the Notes to our Condensed Consolidated Financial Statements for further information.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses. Through our wholly-owned subsidiaries American II and American III, we have made over \$10.0 billion in certain non-controlling investments in Northstar Spectrum, the parent company of Northstar Wireless, and in SNR HoldCo, the parent company of SNR Wireless, respectively. On October 27, 2015, the FCC granted certain AWS-3 Licenses to Northstar Wireless and to SNR Wireless, respectively, which are recorded in "FCC authorizations" on our Condensed Consolidated Balance Sheets. Under the applicable accounting guidance in 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 in the Notes to our Condensed Consolidated Financial Statements for further information. The AWS-3 Licenses are subject to certain interim and final build-out requirements. We may need to make significant additional loans to the Northstar Entities and to the SNR Entities, or they may need to partner with others, so that the Northstar Entities and the SNR Entities may commercialize, build-out and integrate these AWS-3 Licenses, and comply with regulations applicable to such AWS-3 Licenses. Depending upon the nature and scope of such commercialization, build-out, integration efforts, and regulatory compliance, any such loans or partnerships could vary significantly. See Note 10 "Commitments and Contingencies —DISH Network Non-Controlling Investments in the Northstar Entities and the SNR Entities Related to AWS-3 Wireless Spectrum Licenses" in the Notes to our Condensed Consolidated Financial Statements for further information.

We may need to raise significant additional capital in the future to fund the efforts described above, which may not be available on acceptable terms or at all. There can be no assurance that we, the Northstar Entities and/or the SNR Entities will be able to develop and implement business models that will realize a return on these wireless spectrum licenses or that we, the Northstar Entities and/or the SNR Entities will be able to profitably deploy the assets represented by these wireless spectrum licenses, which may affect the carrying amount of these assets and our future financial condition or results of operations. See Note 10 "Commitments and Contingencies" in the Notes to our Condensed Consolidated Financial Statements for further information.

Availability of Credit and Effect on Liquidity

The ability to raise capital has generally existed for us despite economic weakness and uncertainty. While modest fluctuations in the cost of capital will not likely impact our current operational plans, significant fluctuations could have a material adverse effect on our business, results of operations and financial condition.

Debt Maturity

Our 7 1/8% Senior Notes with an aggregate principal balance of \$1.5 billion were redeemed on February 1, 2016.

Our 4 5/8% Senior Notes with an aggregate principal balance of \$900 million mature on July 15, 2017. We expect to fund this obligation from cash generated from operations, existing cash and marketable investment securities balances and/or cash proceeds from any debt financings.

Off-Balance Sheet Arrangements

Other than the “Guarantees” disclosed in Note 10 in the Notes to our Condensed Consolidated Financial Statements, we generally do not engage in off-balance sheet financing activities.

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Item 2.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2014-09 Revenue from Contracts with Customers (“ASU 2014-09”). This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board to create common revenue recognition guidance for GAAP and International Financial Reporting Standards. 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 condensed 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.

Recognition and Measurement of Financial Assets and Financial Liabilities. On January 5, 2016, the FASB issued ASU 2016-01 Recognition and Measurement of Financial Assets and Financial Liabilities (“ASU 2016-01”), which amends certain aspects of recognition, measurement, presentation and disclosure of financial instruments. This amendment requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-01 will have on our condensed consolidated financial statements.

Leases. On February 25, 2016, the FASB issued ASU 2016-02 Leases (“ASU 2016-02”), which relates to the accounting of leasing transactions. This standard requires a lessee to record on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. In addition, this standard requires both lessees and lessors to disclose certain key information about lease transactions. This standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are evaluating the impact the adoption of ASU 2016-02 will have on our condensed consolidated financial statements.

Financial Instruments – Credit Losses. On June 16, 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”), which changes the way entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value

through net earnings. This standard will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact the adoption of ASU 2016-13 will have on our condensed consolidated financial statements and related disclosures.

Statement of Cash Flows - Update. On August 26, 2016, the FASB issued an update to ASC 230 Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). This update consists of eight provisions that provide guidance on the classification of certain cash receipts and cash payments. If practicable, this update should be applied using a retrospective transition method to each period presented. For the provisions that are impracticable to apply retrospectively, those provisions may be applied prospectively as of the earliest date practicable. This update will become effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact the adoption of ASU 2016-15 will have on our condensed consolidated financial statements.

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Item 2.MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Continued

Compensation – Stock Compensation. On March 30, 2016, the FASB issued ASU 2016-09 Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”), which relates to the accounting for employee share-based payments. This standard addresses several aspects of the accounting for share-based payment award transactions, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. During the third quarter 2016, we adopted ASU 2016-09, which had an immaterial impact on our condensed consolidated financial statements.

Item 3.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the three and nine months ended September 30, 2016. For additional information, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk in Part II of our Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4.CONTROLS AND PROCEDURES

Conclusion regarding disclosure controls and procedures

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

Changes in internal control over financial reporting

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

PART II — OTHER INFORMATION

Item 1.LEGAL PROCEEDINGS

See Note 10 “Commitments and Contingencies - Litigation” in the Notes to our Condensed Consolidated Financial Statements for information regarding certain legal proceedings in which we are involved.

Item 1A. RISK FACTORS

Item 1A, “Risk Factors,” of our Annual Report on Form 10-K for the year ended December 31, 2015 includes a detailed discussion of our risk factors. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in our Annual Report on Form 10-K for the year ended December 31, 2015.

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The conditional conversion features of our 3 3/8% Convertible Notes due 2026, if triggered, may adversely affect our financial condition.

In the event the conditional conversion features of the Convertible Notes due 2026 are triggered, holders of the Convertible Notes due 2026 will be entitled to convert the Convertible Notes due 2026 at any time during specified periods at their option. If one or more holders elect to convert their Convertible Notes due 2026, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock, we would be required to make cash payments to satisfy all or a portion of our conversion obligation based on the conversion rate, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes due 2026, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes due 2026 as a current rather than long-term liability, which could result in a material reduction of our net working capital.

The convertible note hedge and warrant transactions that we entered into in connection with the offering of the Convertible Notes due 2026 may affect the value of the Convertible Notes due 2026 and our Class A common stock.

In connection with the offering of the Convertible Notes due 2026, we entered into convertible note hedge transactions with certain option counterparties (each an “option counterparty”). The convertible note hedge transactions are expected generally to reduce the potential dilution upon conversion of the Convertible Notes due 2026 and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes due 2026, as the case may be. We also entered into warrant transactions with each option counterparty. The warrant transactions could separately have a dilutive effect on our Class A common stock to the extent that the market price per share of our Class A common stock exceeds the strike price of the warrants, unless we elect to settle the warrants in cash. In connection with establishing its initial hedge of the convertible note hedge and warrant transactions, each option counterparty or an affiliate thereof may have entered into various derivative transactions with respect to our Class A common stock concurrently with or shortly after the pricing of the Convertible Notes due 2026. This activity could increase (or reduce the size of any decrease in) the market price of our Class A common stock or the Convertible Notes due 2026 at that time. In addition, each option counterparty or an affiliate thereof may modify its hedge position by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes due 2026 (and is likely to do so during any observation period related to a conversion of the Convertible Notes due 2026). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock or the Convertible Notes due 2026. In addition, if any such convertible note hedge and warrant transactions fail to become effective, each option counterparty may unwind its hedge position with respect to our Class A common stock, which could adversely affect the value of our Class A common stock and the value of the Convertible Notes due 2026.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

Each option counterparty to the convertible note hedge transactions is a financial institution, and we will be subject to the risk that it might default under the convertible note hedge transaction. Our exposure to the credit risk of an option counterparty will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions, including the bankruptcy filing by Lehman Brothers Holdings Inc. and its various affiliates. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with the option counterparty. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price and in the volatility of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of any option counterparty.

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Item 2.UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our Class A common stock from July 1, 2016 through September 30, 2016:

Period	Total Number of Shares Purchased (In thousands,	Average Price Paid per Share except share data)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (1)
July 1, 2016 - July 31, 2016	—	\$ —	—	\$ 1,000,000
August 1, 2016 - August 31, 2016	—	\$ —	—	\$ 1,000,000
September 1, 2016 - September 30, 2016	—	\$ —	—	\$ 1,000,000
Total	—	\$ —	—	\$ 1,000,000

(1) Our Board of Directors previously authorized stock repurchases of up to \$1.0 billion of our outstanding Class A common stock through and including December 31, 2016. On November 2, 2016, our Board of Directors extended this authorization such that we are currently authorized to repurchase up to \$1.0 billion of our outstanding Class A common stock through and including December 31, 2017. Purchases under our repurchase program may be made through open market purchases, privately negotiated transactions, or Rule 10b5-1 trading plans, subject to market conditions and other factors. We may elect not to purchase the maximum amount of shares allowable under this program and we may also enter into additional share repurchase programs authorized by our Board of Directors.

Item 5.OTHER INFORMATION

In November 2016, we and EchoStar amended the 2012 Receiver Agreement to extend the term thereof for one additional year until December 31, 2017. In addition, in November 2016, we and EchoStar amended the 2012 Broadcast Agreement to extend the term thereof for one additional year until December 31, 2017. See Note 12 in the Notes to our Condensed Consolidated Financial Statements for further information.

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Item 6.EXHIBITS

(a)Exhibits.

- 4.1 Indenture, relating to the 3 3/8% Convertible Notes due 2026, dated as of August 8, 2016, by and between DISH Network Corporation and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8 K of DISH Network Corporation filed August 8, 2016, Commission File No. 0-26176).
 - 10.1 Form of Base/Additional Note Hedge Transaction Confirmation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of DISH Network Corporation filed August 8, 2016, Commission File No. 0-26176).
 - 10.2 Form of Base/Additional Warrant Transaction Confirmation (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of DISH Network Corporation filed August 8, 2016, Commission File No. 0-26176).
 - 31.1* Section 302 Certification of Chief Executive Officer.
 - 31.2* Section 302 Certification of Chief Financial Officer.
 - 32.1* Section 906 Certification of Chief Executive Officer.
 - 32.2* Section 906 Certification of Chief Financial Officer.
 - 101* The following materials from the Quarterly Report on Form 10-Q of DISH Network for the quarter ended September 30, 2016, filed on November 9, 2016, formatted in eXtensible Business Reporting Language (“XBRL”): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Cash Flows and (iv) related notes to these financial statements.
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Incorporated by reference.

* Filed herewith.

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SIGNATURES

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

DISH NETWORK
CORPORATION

By: /s/ Charles W. Ergen
Charles W. Ergen
Chairman and Chief
Executive Officer
(Duly Authorized Officer)

By: /s/ Steven E. Swain
Steven E. Swain
Senior Vice President and
Chief Financial Officer

(Principal Financial
Officer)

By: /s/ Paul W. Orban
Paul W. Orban
Senior Vice President and
Chief Accounting Officer
(Principal Accounting
Officer)

Date: November 9, 2016