DISH Network CORP
Form 10-Q
August 05, 2015
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015.

OR

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

Commission File Number: 0-26176

DISH Network Corporation

(Exact name of registrant as specified in its charter)

Nevada	**88-0336997**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9601 South Meridian Boulevard **Englewood, Colorado**	**80112**
(Address of principal executive offices)	(Zip code)

(303) 723-1000

(Registrant s telephone number, including area code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 x No o

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

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

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

As of July 30, 2015, the registrant s outstanding common stock consisted of 224,718,602 shares of Class A common stock and 238,435,208 shares of Class B common stock.

Table of Contents

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Table of Contents

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, c These forward-looking statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q and represent management s current views and assumptions. Forward-looking statements are not guarantees of future performance, events or results and involve known and unknown risks, uncertainties and other factors, which may be beyond our control. Accordingly, actual performance, events or results could differ materially from those expressed or implied in the forward-looking statements due to a number of factors, including, but not limited to, the following:

Competition and Economic Risks Affecting our Business

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

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

- Economic weakness and uncertainty may adversely affect our ability to grow or maintain our business.

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

- As a new service offering, our over-the-top or OTT Internet-based services face certain risks, including, among others, significant competition.

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

Operational and Service Delivery Risks Affecting our Business

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

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

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

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

- 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.

Table of Contents

- Any failure or inadequacy of our information technology infrastructure and communications systems could disrupt or harm our business.

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

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

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

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

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

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

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

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

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

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

- We may have potential conflicts of interest with EchoStar due to our common ownership and management.

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

Acquisition and Capital Structure Risks Affecting our Business

- We have made substantial investments to acquire certain wireless spectrum licenses and other related assets. In addition, we have made substantial non-controlling investments in the Northstar Entities and the SNR Entities related to the AWS-3 Auction.

- To the extent that we commercialize our wireless spectrum licenses, we will face certain risks entering and competing in the wireless services industry and operating a wireless services business.

- We face certain risks related to our non-controlling investments in the Northstar Entities and the SNR Entities, which may have a material adverse effect on our business, results of operations and financial condition.

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

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

Table of Contents

- From time to time a portion of our investment portfolio may be invested in securities that have limited liquidity and may not be immediately accessible to support our financing needs, including investments in public companies that are highly speculative and have experienced and continue to experience volatility.

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

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

- We are controlled by one principal stockholder who is also our Chairman, President and Chief Executive Officer.

Legal and Regulatory Risks Affecting our Business

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

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

- Our ability to distribute video content via the Internet, including our OTT services, involves regulatory risk.

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

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

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

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

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

- Our business, investor confidence in our financial results and stock price may be adversely affected if our internal controls are not effective.

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

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

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

Table of Contents

Item 1. FINANCIAL STATEMENTS

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

(Unaudited)

	As of			
		June 30, 2015		**December 31, 2014**
Assets				
Current Assets:				
Cash and cash equivalents	$	694,249	$	7,104,496
Marketable investment securities		401,261		2,131,745
Trade accounts receivable - other, net of allowance for doubtful accounts of $15,833 and $23,603, respectively		968,472		920,103
Trade accounts receivable - EchoStar, net of allowance for doubtful accounts of zero		50,237		31,390
Inventory		466,200		493,754
Deferred tax assets		25,667		25,667
Derivative financial instruments (Note 2)		551,847		383,460
FCC auction deposits		9,995,567		1,320,000
Other current assets		124,783		167,119
Total current assets		13,278,283		12,577,734
Noncurrent Assets:				
Restricted cash and marketable investment securities		86,984		86,984
Property and equipment, net		3,770,469		3,773,539
FCC authorizations		4,968,171		4,968,171
Other investment securities		327,250		327,250
Other noncurrent assets, net		331,531		337,530
Total noncurrent assets		9,484,405		9,493,474
Total assets	$	22,762,688	$	22,071,208
Liabilities and Stockholders Equity (Deficit)				
Current Liabilities:				
Trade accounts payable - other	$	205,618	$	165,324
Trade accounts payable - EchoStar		241,523		251,669
Deferred revenue and other		931,555		891,373
Accrued programming		1,515,581		1,376,130
Accrued interest		224,981		227,158
Other accrued expenses		657,421		519,404
Current portion of long-term debt and capital lease obligations		1,532,556		681,467
Total current liabilities		5,309,235		4,112,525
Long-Term Obligations, Net of Current Portion:				
Long-term debt and capital lease obligations, net of current portion		12,235,118		13,746,059
Deferred tax liabilities		2,000,991		1,882,711
		294,910		276,281

Long-term deferred revenue, distribution and carriage payments and other long-term liabilities				
Total long-term obligations, net of current portion		14,531,019		15,905,051
Total liabilities		19,840,254		20,017,576
Commitments and Contingencies (Note 10)				
Redeemable noncontrolling interests (Note 2)		255,754		41,498
Stockholders Equity (Deficit):				
Class A common stock, $.01 par value, 1,600,000,000 shares authorized, 280,817,347 and 279,406,646 shares issued, 224,699,087 and 223,288,386 shares outstanding, respectively		2,808		2,794
Class B common stock, $.01 par value, 800,000,000 shares authorized, 238,435,208 shares issued and outstanding		2,384		2,384
Additional paid-in capital		2,750,060		2,678,791
Accumulated other comprehensive income (loss)		82,165		174,507
Accumulated earnings (deficit)		1,399,900		723,992
Treasury stock, at cost		(1,569,459)		(1,569,459)
Total DISH Network stockholders equity (deficit)		2,667,858		2,013,009
Noncontrolling interests		(1,178)		(875)
Total stockholders equity (deficit)		2,666,680		2,012,134
Total liabilities and stockholders equity (deficit)	$	22,762,688	$	22,071,208

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

Table of Contents

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 June 30, 2015	For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2015	For the Six Months Ended June 30, 2014
Revenue:				
Subscriber-related revenue	$ 3,801,416	$ 3,645,101	$ 7,494,946	$ 7,201,288
Equipment sales and other revenue	17,558	26,279	35,415	48,518
Equipment sales, services and other revenue - EchoStar	13,451	16,739	26,292	32,511
Total revenue	3,832,425	3,688,119	7,556,653	7,282,317
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):				
Subscriber-related expenses	2,235,536	2,104,236	4,407,255	4,173,368
Satellite and transmission expenses	194,444	180,957	381,284	330,453
Cost of sales - equipment, services and other	23,805	30,165	54,300	57,958
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	55,464	68,310	108,389	131,185
Other subscriber acquisition costs	218,396	253,823	427,572	506,287
Subscriber acquisition advertising	131,841	134,329	275,431	268,136
Total subscriber acquisition costs	405,701	456,462	811,392	905,608
General and administrative expenses	176,066	189,660	375,474	392,773
Depreciation and amortization (Note 8)	262,886	271,895	509,098	521,115
Total costs and expenses	3,298,438	3,233,375	6,538,803	6,381,275
Operating income (loss)	533,987	454,744	1,017,850	901,042
Other Income (Expense):				
Interest income	3,616	18,212	12,110	32,376
Interest expense, net of amounts capitalized	(152,751)	(152,769)	(309,064)	(328,763)
Other, net	135,478	8,834	255,767	3,645
Total other income (expense)	(13,657)	(125,723)	(41,187)	(292,742)
Income (loss) before income taxes	520,330	329,021	976,663	608,300
Income tax (provision) benefit, net	(188,004)	(121,892)	(291,085)	(230,354)
Net income (loss)	332,326	207,129	685,578	377,946
Less: Net income (loss) attributable to noncontrolling interests, net of tax	7,903	(6,184)	9,670	(11,298)
Net income (loss) attributable to DISH Network	$ 324,423	$ 213,313	$ 675,908	$ 389,244
Weighted-average common shares outstanding - Class A and B common stock:				

Basic	462,929	459,863	462,512	459,147
Diluted	464,635	462,607	464,400	461,941
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	$ 0.70	$ 0.46	$ 1.46	$ 0.85
Diluted net income (loss) per share attributable to DISH Network	$ 0.70	$ 0.46	$ 1.46	$ 0.84
Comprehensive Income (Loss):				
Net income (loss)	$ 332,326	$ 207,129	$ 685,578	$ 377,946
Other comprehensive income (loss):				
Foreign currency translation adjustments				3,878
Unrealized holding gains (losses) on available-for-sale securities	39,405	9,586	46,827	19,569
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(34,310)	(555)	(93,797)	(62)
Deferred income tax (expense) benefit, net	(1,961)	(3,299)	(45,372)	(7,128)
Total other comprehensive income (loss), net of tax	3,134	5,732	(92,342)	16,257
Comprehensive income (loss)	335,460	212,861	593,236	394,203
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax	7,903	(6,184)	9,670	(11,298)
Comprehensive income (loss) attributable to DISH Network	$ 327,557	$ 219,045	$ 583,566	$ 405,501

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

Table of Contents

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Six Months Ended June 30, 2015	2014
Cash Flows From Operating Activities:		
Net income (loss)	$ 685,578	$ 377,946
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	509,098	521,115
Realized and unrealized losses (gains) on investments	(262,727)	(6,906)
Non-cash, stock-based compensation	14,823	20,644
Deferred tax expense (benefit)	72,427	58,118
Other, net	27,161	49,358
Changes in current assets and current liabilities, net	402,796	130,881
Net cash flows from operating activities from continuing operations	1,449,156	1,151,156
Net cash flows from operating activities from discontinued operations, net		(30,007)
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(112,864)	(2,679,365)
Sales and maturities of marketable investment securities	1,892,987	2,925,112
Purchases of property and equipment	(534,746)	(600,610)
Purchases of FCC authorizations - H Block wireless spectrum licenses (Note 10)		(1,343,372)
AWS-3 FCC license deposits (Note 10)	(9,075,567)	
AWS-3 FCC deposit refund (Note 10)	400,000	
Other, net	(38)	41,548
Net cash flows from investing activities from continuing operations	(7,430,228)	(1,656,687)
Net cash flows from investing activities from discontinued operations, net, including $0 and $0 of purchases of property and equipment, respectively		20,847
Cash Flows From Financing Activities:		
Redemption and repurchases of long-term debt	(650,001)	(101,208)
Capital contributions from Northstar Manager and SNR Management (Note 10)	204,200	
Repayment of long-term debt and capital lease obligations	(15,053)	(15,606)
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	18,001	29,696
Other, net	13,678	19,986
Net cash flows from financing activities from continuing operations	(429,175)	(67,132)
Net increase (decrease) in cash and cash equivalents from continuing operations	(6,410,247)	(572,663)
Cash and cash equivalents, beginning of period from continuing operations	7,104,496	4,700,022
Cash and cash equivalents, end of period from continuing operations	$ 694,249	$ 4,127,359
Net increase (decrease) in cash and cash equivalents from discontinued operations		(9,160)
Cash and cash equivalents, beginning of period from discontinued operations		9,160
Cash and cash equivalents, end of period from discontinued operations	$	$

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Business Activities

Principal Business

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

- ***DISH.*** We offer pay-TV services under the DISH® brand (DISH) and the Sling® brand (Sling) (collectively Pay-TV services). The DISH branded pay-TV service consists of, among other things, Federal Communications Commission (FCC) licenses authorizing us to use direct broadcast satellite (DBS) and Fixed Satellite Service (FSS) spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, a leased fiber optic network, in-home service and call center operations, and certain other assets utilized in our operations. The Sling branded pay-TV services consist of, among other things, live, linear streaming over-the-top (OTT) Internet-based domestic, international and Latino video programming services (Sling TV). Prior to 2015, we launched our Sling International video programming service (formerly known as DishWorld). Sling International subscribers have historically been included in our Pay-TV subscriber count and represented a small percentage of our Pay-TV subscribers. During 2015, we launched our Sling domestic and Sling Latino services. For the three and six months ended June 30, 2015, we have included all Sling TV subscribers in our Pay-TV subscriber count. As of June 30, 2015, we had 13.932 million Pay-TV subscribers in the United States.

In addition, we market broadband services under the dishNET brand, which had 0.595 million subscribers in the United States as of June 30, 2015. Our satellite broadband service utilizes advanced technology and high-powered satellites launched by Hughes Communications, Inc. (Hughes) and ViaSat, Inc. (ViaSat) to provide broadband coverage nationwide. This service primarily targets rural residents that are underserved, or unserved, by wireline broadband. In addition to the dishNET branded satellite broadband service, we also offer wireline voice and broadband services under the dishNET brand as a competitive local exchange carrier to consumers living in a 14-state region in the western United States. We primarily bundle our dishNET branded services with our DISH branded pay-TV service.

- ***Wireless***

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

- *AWS-3 Auction.* On February 13, 2015, Northstar Wireless, LLC (Northstar Wireless) and SNR Wireless LicenseCo, LLC (SNR Wireless) each filed applications with the FCC to acquire certain AWS-3 wireless spectrum licenses (the AWS-3 Licenses) that were made available in the auction designated by the FCC as Auction 97 (the AWS-3 Auction) for which it was named as winning bidder and had made the required down payments. Each of Northstar Wireless and SNR Wireless had applied to receive a bidding credit of 25% as designated entities under applicable FCC rules. We own an 85% non-controlling interest in each of Northstar Spectrum, LLC (Northstar Spectrum, and collectively with Northstar Wireless, the Northstar Entities) and SNR Wireless Holdco, LLC (SNR Holdco, and collectively with SNR Wireless, the SNR Entities), the parent companies of Northstar Wireless and SNR Wireless, respectively. After Northstar Wireless and SNR Wireless made their respective final payments to the FCC on March 2, 2015 for the AWS-3 Licenses (which payments

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

were net of a bidding credit of 25%), our total non-controlling equity and debt investments in these entities and their parent companies, respectively, were approximately $9.778 billion. Under the applicable accounting guidance in Accounting Standards Codification 810, Consolidation (ASC 810), Northstar Spectrum and SNR Holdco are considered variable interest entities and, based on the characteristics of the structure of these entities and in accordance with the applicable accounting guidance, we have consolidated these entities into our financial statements beginning in the fourth quarter 2014. See Note 2 for further discussion.

On April 29, 2015, the FCC issued a public notice that, among other things, found the applications filed by Northstar Wireless and SNR Wireless, upon initial review, to be acceptable for filing. The FCC s public notice also set the following filing deadlines related to the applications: (i) petitions to deny the applications must have been filed no later than May 11, 2015; (ii) oppositions to a petition to deny the applications must have been filed no later than May 18, 2015; and (iii) replies to oppositions must have been filed no later than May 26, 2015. In addition, on April 29, 2015, we received a letter from the United States Senate Committee on Commerce, Science and Transportation (the Senate Committee), requesting certain information related to our relationship with Northstar Wireless and SNR Wireless and our participation in the AWS-3 Auction. We cannot predict the timing or the outcome of the Senate Committee s inquiry.

On July 22, 2015, we, Northstar Wireless, SNR Wireless and certain other parties attended a meeting with staff of the Wireless Telecommunications Bureau of the FCC to discuss a draft order that has been circulated by the Chairman s office for approval by the other Commissioners relating to Northstar Wireless and SNR Wireless respective pending applications for the AWS-3 Licenses. At the meeting and as subsequently confirmed by a summary of the meeting released by the FCC, we were informed that the draft order, if approved, would find that: (i) DISH Network has a controlling interest in Northstar Wireless and SNR Wireless, 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) for which each had applied to receive as designated entities under applicable FCC rules; (ii) Northstar Wireless and SNR Wireless are qualified to hold the AWS-3 Licenses; (iii) the FCC will not designate the matter for a hearing, or refer the matter to the FCC enforcement bureau or the Department of Justice; and (iv) all other relief sought by the parties that filed Petitions to Deny will be denied. The draft order remains subject to change, and must be approved by a majority of the Commissioners to become effective.

In the event that the FCC grants the AWS-3 Licenses to Northstar Wireless (the Northstar Licenses) and to SNR Wireless (the SNR Licenses), 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. 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.

As a result of, among other things, our non-controlling debt and equity investments in the Northstar Entities and the SNR Entities, we may need to raise significant additional capital in the future, which may not be available on acceptable terms or at all, to among other things, make further investments in the Northstar Entities and the SNR Entities, continue investing in our businesses and to pursue acquisitions and other strategic transactions. In addition, economic weakness or weak results of operations may limit our ability to generate sufficient internal cash to fund such non-controlling debt and equity

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

investments, investments in our businesses, acquisitions and other strategic transactions, as well as to fund ongoing operations and service our debt. As a result, these conditions make it difficult for us to accurately forecast and plan future business activities because we may not have access to funding sources necessary for us to pursue organic and strategic business development opportunities.

See Note 10 for further discussion.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Redeemable Noncontrolling Interests

Northstar Wireless. Northstar Wireless is a wholly owned subsidiary of Northstar Spectrum, which is an entity owned by Northstar Manager, LLC (Northstar Manager) and us. Under the applicable accounting guidance in ASC 810, Northstar Spectrum is considered a variable interest entity and, based on the characteristics of the structure of this entity and in accordance with the applicable accounting guidance, we have consolidated Northstar Spectrum into our financial statements beginning in the fourth quarter 2014. After the five-year anniversary of the grant of the Northstar Licenses, 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 equals its equity contribution to Northstar Spectrum plus a fixed annual rate of return. In the event that the Northstar Put Right is exercised by Northstar Manager, the consummation of the sale will be subject to FCC approval. Northstar Spectrum does not have a call right with respect to Northstar Manager s ownership interests in Northstar Spectrum. Although Northstar Manager is the sole manager of Northstar Spectrum, Northstar Manager s ownership interest is considered temporary equity under the applicable accounting guidance and is thus recorded as part of Redeemable noncontrolling interest in the mezzanine section of our Condensed Consolidated Balance Sheets. Northstar Manager s ownership interest in Northstar Spectrum was initially accounted for at fair value. Subsequently, Northstar Manager s ownership interest in Northstar Spectrum is increased by the fixed annual rate of return through Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in 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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

recorded as Redeemable noncontrolling interest in our Condensed Consolidated Balance Sheets, with the offset recorded in Income (loss) attributable to noncontrolling interests, net of tax on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). See Note 10 for further discussion on Northstar Wireless and the AWS-3 Auction.

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

Discontinued Operations

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

Use of Estimates

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

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 June 30, 2015 and December 31, 2014, we held derivative financial instruments indexed to the trading price of common equity securities with a fair value of $552 million and $383 million, respectively. The fair value of the derivative financial instruments is dependent on the trading price of the indexed common equity securities, which may be volatile and vary depending on, among other things, the issuer s financial and operational performance and market conditions.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

New Accounting Pronouncements

Revenue from Contracts with Customers. On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This converged standard on revenue recognition was issued jointly with the International Accounting Standards Board (IASB) to improve financial reporting by creating common revenue recognition guidance for GAAP and International Financial Reporting Standards (IFRS). ASU 2014-09 provides a framework for revenue recognition that replaces most existing GAAP revenue recognition guidance when it becomes effective. ASU 2014-09 allows for either a full retrospective or modified retrospective adoption. We are evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected an adoption method nor have we determined the effect of the standard on our ongoing financial reporting. On July 9, 2015, the FASB approved a one year deferral on the effective date for implementation of this standard, which changed the effective date for us to January 1, 2018.

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

We present both basic earnings per share (EPS) and diluted EPS. Basic EPS excludes potential dilution and is computed by dividing Net income (loss) attributable to DISH Network by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock awards were exercised. The potential dilution from stock awards was computed using the treasury stock method based on the average market value of our Class A common stock. The following table presents EPS amounts for all periods and the basic and diluted weighted-average shares outstanding used in the calculation.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share amounts)			
Net income (loss)	$ 332,326	$ 207,129	$ 685,578	$ 377,946
Less: Net income (loss) attributable to noncontrolling interests, net of tax	7,903	(6,184)	9,670	(11,298)
Net income (loss) attributable to DISH Network	$ 324,423	$ 213,313	$ 675,908	$ 389,244
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	462,929	459,863	462,512	459,147
Dilutive impact of stock awards outstanding	1,706	2,744	1,888	2,794
Diluted	464,635	462,607	464,400	461,941

Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	$ 0.70	$ 0.46	$ 1.46	$ 0.85
Diluted net income (loss) per share attributable to DISH Network	$ 0.70	$ 0.46	$ 1.46	$ 0.84

As of June 30, 2015 and 2014, there were stock awards to acquire 0.6 million and 0.3 million shares, respectively, of Class A common stock outstanding, not included in the weighted-average common shares outstanding above, as their effect is anti-dilutive.

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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

	As of June 30,	
	2015	**2014**
	(In thousands)	
Performance based options (1)	3,949	7,339
Restricted Performance Units (1)	1,389	1,834
Total (1)	5,338	9,173

---

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

4. Supplemental Data Statements of Cash Flows

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

	For the Six Months Ended June 30,	
	2015	**2014**
	(In thousands)	
Cash paid for interest (including capitalized interest)	$ 438,592	$ 422,744
Cash received for interest	16,083	78,691
Cash paid for income taxes	14,501	156,337
Capitalized interest	133,102	94,414
Employee benefits paid in Class A common stock	26,026	25,775
Unsettled trades related to repurchases of long-term debt		12,673
Satellite and Tracking Stock Transaction with EchoStar:		
Transfer of property and equipment, net		432,080
Investment in EchoStar and HSSC preferred tracking stock - cost method		316,204
Transfer of liabilities and other		44,540
Capital distribution to EchoStar, net of deferred taxes of $31,274		51,466

10

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 June 30,					
	2015			2014		
	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Foreign currency translation adjustments	$	$	$	$	$	$
Unrealized holding gains (losses) on available-for-sale securities	39,405	(14,490)	24,915	9,586	(3,502)	6,084
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(34,310)	12,529	(21,781)	(555)	203	(352)
Other comprehensive income (loss)	$ 5,095	$ (1,961)	$ 3,134	$ 9,031	$ (3,299)	$ 5,732

	For the Six Months Ended June 30,					
	2015			2014		
	Before Tax Amount	Tax (Expense) Benefit (1)	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
	(In thousands)					
Foreign currency translation adjustments	$	$	$	$ 3,878	$	$ 3,878
Unrealized holding gains (losses) on available-for-sale securities	46,827	(17,234)	29,593	19,569	(7,151)	12,418
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(93,797)	(28,138)	(121,935)	(62)	23	(39)
Other comprehensive income (loss)	$ (46,970)	$ (45,372)	$ (92,342)	$ 23,385	$ (7,128)	$ 16,257

---

(1) Prior to December 31, 2012, we had established a valuation allowance against all deferred tax assets that were capital in nature. At December 31, 2012, it was determined that these deferred tax assets were realizable and the valuation allowance was released, including the valuation allowance related to a specific portfolio of available-for-sale

securities for which changes in fair value had historically been recognized as a separate component of Accumulated other comprehensive income (loss). Under the intra-period tax allocation rules, a credit of $63 million was recorded in Accumulated other comprehensive income (loss) on our Condensed Consolidated Balance Sheets related to the release of this valuation allowance.

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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

Accumulated Other Comprehensive Income (Loss)		Unrealized/ Recognized Gains (Losses) (In thousands)
Balance as of December 31, 2014	$	174,507
Other comprehensive income (loss) before reclassification		29,593
Amounts reclassified from accumulated other comprehensive income (loss)		(121,935)
Balance as of June 30, 2015	$	82,165

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			
		June 30, 2015		December 31, 2014
	(In thousands)			
Marketable investment securities:				
Current marketable investment securities - strategic	$	296,480	$	711,213
Current marketable investment securities - other		104,781		1,420,532
Total current marketable investment securities		401,261		2,131,745
Restricted marketable investment securities (1)		81,795		76,970
Total marketable investment securities		483,056		2,208,715
Restricted cash and cash equivalents (1)		5,189		10,014
Other investment securities:				
Investment in EchoStar preferred tracking stock - cost method		228,795		228,795
Investment in HSSC preferred tracking stock - cost method		87,409		87,409
Other investment securities - cost method		11,046		11,046
Total other investment securities		327,250		327,250
Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	$	815,495	$	2,545,979

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

Marketable Investment Securities

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Current Marketable Investment Securities   Strategic

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

Current Marketable Investment Securities - Other

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

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

Restricted Cash and Marketable Investment Securities

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

Other Investment Securities

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

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

Investment in Tracking Stock

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

Table of Contents

DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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.

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 June 30, 2015 and December 31, 2014, we had accumulated net unrealized gains of $130 million and $177 million, respectively. These amounts, net of related tax effect, were $82 million and $175 million, respectively. All of these amounts are included in Accumulated other comprehensive income (loss) within Total stockholders equity (deficit). The components of our available-for-sale investments are summarized in the table below.

	As of June 30, 2015				As of December 31, 2014			
	Marketable Investment Securities	Gains	Unrealized Losses	Net	Marketable Investment Securities	Gains	Unrealized Losses	Net
				(In thousands)				
Debt securities (including								

restricted):	
U. S. Treasury and agency securities	