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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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

As of July 26, 2017, the registrant's outstanding common stock consisted of 227,677,198 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

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, a wholly-owned, indirect subsidiary of DISH Network, and its subsidiaries.

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,” or 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

- As the pay-TV industry has matured and bundled offers combining video, broadband and/or wireless services have become more prevalent and competitive, we face intense and increasing competition from providers of video, broadband and/or wireless services, 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/or 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, sports programming, and original content that may limit our ability to maintain subscribers that desire these unique programming services.

Operational and Service Delivery Risks

- If our operational performance and customer satisfaction were to deteriorate, our gross new subscriber activations and our subscriber churn may be negatively impacted, which could in turn adversely affect our revenue.
- If our gross new subscriber activations continue to decrease, or if our subscriber churn, subscriber acquisition costs or retention costs increase, our financial performance will be adversely affected.

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- 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 fail to obtain or lose access to this programming, our gross new subscriber activations and our subscriber churn may be negatively impacted.
- 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 to provide the vast majority of our satellite transponder capacity and other related services to us. Our business would be adversely affected if EchoStar ceases to provide these services to us and we are unable to obtain suitable replacement 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.
- We rely 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.

- We have limited satellite capacity and failures or reduced capacity could adversely affect our DISH branded pay-TV service.
- 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.
- 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”) and our 2 3/8% Convertible Notes due 2024 (the “Convertible Notes due 2024,” and collectively with the Convertible Notes due 2026, the “Convertible Notes”), 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.
- 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.
- 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

- The rulings in the Do Not Call litigation requiring us to pay up to an aggregate amount of \$341 million and imposing certain injunctive relief against us, if upheld, would have a material adverse effect on our cash, cash equivalents and marketable investment securities balances and our business operations.
- Our business depends on certain intellectual property rights and on not infringing the intellectual property rights of others.
- We are, and may become, party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business, particularly lawsuits regarding intellectual property.

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

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Item 1. FINANCIAL STATEMENTS

DISH NETWORK CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share amounts)

(Unaudited)

	As of June 30, 2017	December 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,365,893	\$ 5,324,503
Marketable investment securities	20,560	35,616
Trade accounts receivable, net of allowance for doubtful accounts of \$19,748 and \$18,399, respectively	737,029	777,908
Inventory	373,676	422,349
FCC auction deposit (Note 10)	—	1,500,000
Other current assets	215,874	220,011
Total current assets	3,713,032	8,280,387
Noncurrent Assets:		
Restricted cash, cash equivalents and marketable investment securities	81,433	82,360
Property and equipment, net	2,447,945	2,654,271
FCC authorizations	23,198,010	16,498,733
Other investment securities	119,750	33,248
Other noncurrent assets, net	357,389	365,293
Total noncurrent assets	26,204,527	19,633,905
Total assets	\$ 29,917,559	\$ 27,914,292
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities:		
Trade accounts payable	\$ 328,098	\$ 524,704
Deferred revenue and other	743,128	773,982
Accrued programming	1,583,346	1,542,036
Accrued interest	303,656	305,739
Other accrued expenses (Note 10)	802,397	504,468
Current portion of long-term debt and capital lease obligations	2,140,980	941,903
Total current liabilities	5,901,605	4,592,832
Long-Term Obligations, Net of Current Portion:		
Long-term debt and capital lease obligations, net of current portion	15,107,048	15,541,736
Deferred tax liabilities	2,851,441	2,385,525

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Long-term deferred revenue and other long-term liabilities	468,897	463,242
Total long-term obligations, net of current portion	18,427,386	18,390,503
Total liabilities	24,328,991	22,983,335
Commitments and Contingencies (Note 10)		
Redeemable noncontrolling interests (Note 2)	350,643	319,634
Stockholders' Equity (Deficit):		
Class A common stock, \$.01 par value, 1,600,000,000 shares authorized, 227,675,526 and 226,812,205 shares issued and outstanding, respectively	2,277	2,268
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	3,275,059	3,071,425
Accumulated other comprehensive income (loss)	5,632	781
Accumulated earnings (deficit)	1,952,522	1,536,691
Total DISH Network stockholders' equity (deficit)	5,237,874	4,613,549
Noncontrolling interests	51	(2,226)
Total stockholders' equity (deficit)	5,237,925	4,611,323
Total liabilities and stockholders' equity (deficit)	\$ 29,917,559	\$ 27,914,292

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 June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue:				
Subscriber-related revenue	\$ 3,614,279	\$ 3,826,216	\$ 7,258,365	\$ 7,601,694
Equipment sales and other revenue	29,353	38,375	65,628	90,371
Total revenue	3,643,632	3,864,591	7,323,993	7,692,065
Costs and Expenses (exclusive of depreciation shown separately below - Note 8):				
Subscriber-related expenses	2,242,775	2,249,260	4,485,962	4,479,509
Satellite and transmission expenses	163,980	175,625	340,162	344,206
Cost of sales - equipment and other	22,136	28,245	50,109	68,511
Subscriber acquisition costs:				
Cost of sales - subscriber promotion subsidies	22,388	38,404	43,399	93,930
Other subscriber acquisition costs	134,817	181,276	276,761	373,780
Subscriber acquisition advertising	118,255	129,769	245,334	258,132
Total subscriber acquisition costs	275,460	349,449	565,494	725,842
General and administrative expenses	179,812	182,145	310,847	383,146
Litigation expense (Note 10)	295,695	—	295,695	—
Depreciation and amortization (Note 8)	211,671	239,585	416,301	467,151
Total costs and expenses	3,391,529	3,224,309	6,464,570	6,468,365
Operating income (loss)	252,103	640,282	859,423	1,223,700
Other Income (Expense):				
Interest income	12,447	8,989	26,739	12,943
Interest expense, net of amounts capitalized	(26,269)	(3,410)	(55,439)	(4,115)
Other, net	3,167	45,376	7,912	112,293
Total other income (expense)	(10,655)	50,955	(20,788)	121,121
Income (loss) before income taxes	241,448	691,237	838,635	1,344,821
Income tax (provision) benefit, net	(182,686)	(253,175)	(389,798)	(494,815)
Net income (loss)	58,762	438,062	448,837	850,006
Less: Net income (loss) attributable to noncontrolling interests, net of tax	18,646	13,959	33,006	26,012

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Net income (loss) attributable to DISH Network	\$ 40,116	\$ 424,103	\$ 415,831	\$ 823,994
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	466,019	464,803	465,717	464,589
Diluted	466,935	465,640	519,861	465,429
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	\$ 0.09	\$ 0.91	\$ 0.89	\$ 1.77
Diluted net income (loss) per share attributable to DISH Network	\$ 0.09	\$ 0.91	\$ 0.86	\$ 1.77
Comprehensive Income (Loss):				
Net income (loss)	\$ 58,762	\$ 438,062	\$ 448,837	\$ 850,006
Other comprehensive income (loss):				
Foreign currency translation adjustments	639	—	846	—
Unrealized holding gains (losses) on available-for-sale securities	801	2,497	6,965	(104)
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(630)	(28,953)	(634)	(93,643)
Deferred income tax (expense) benefit, net	(62)	9,239	(2,326)	34,156
Total other comprehensive income (loss), net of tax	748	(17,217)	4,851	(59,591)
Comprehensive income (loss)	59,510	420,845	453,688	790,415
Less: Comprehensive income (loss) attributable to noncontrolling interests, net of tax	18,646	13,959	33,006	26,012
Comprehensive income (loss) attributable to DISH Network	\$ 40,864	\$ 406,886	\$ 420,682	\$ 764,403

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 Six Months Ended June 30,	
	2017	2016
Cash Flows From Operating Activities:		
Net income (loss)	\$ 448,837	\$ 850,006
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	416,301	467,151
Realized and unrealized losses (gains) on investments	(4,759)	(113,012)
Non-cash, stock-based compensation	11,863	3,745
Deferred tax expense (benefit)	347,550	185,034
Other, net	41,716	52,419
Changes in current assets and current liabilities, net	231,588	146,307
Net cash flows from operating activities	1,493,096	1,591,650
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(72,224)	(136,212)
Sales and maturities of marketable investment securities	92,671	563,416
Settlement of derivative financial instruments	—	562,234
Purchases of property and equipment	(212,387)	(319,766)
Capitalized interest related to FCC authorizations (Note 2)	(452,421)	(405,071)
Purchases of FCC authorizations (Note 10)	(4,711,154)	—
Purchases of strategic investments	(90,381)	—
Other, net	10,754	9,049
Net cash flows from investing activities	(5,435,142)	273,650
Cash Flows From Financing Activities:		
Proceeds from issuance of senior notes	—	2,000,000
Proceeds from issuance of convertible notes (Note 9)	1,000,000	—
Redemption and repurchases of senior notes	—	(1,500,000)
Repayment of long-term debt and capital lease obligations	(20,086)	(20,858)
Payments made to parent of transferred businesses	(7,098)	(48,163)
Net proceeds from Class A common stock options exercised and stock issued under the Employee Stock Purchase Plan	16,778	7,443
Debt issuance costs	(6,158)	—
Other, net	—	(7,548)
Net cash flows from financing activities	983,436	430,874

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Net increase (decrease) in cash and cash equivalents	(2,958,610)	2,296,174
Cash and cash equivalents, beginning of period	5,324,503	1,053,983
Cash and cash equivalents, end of period	\$ 2,365,893	\$ 3,350,157

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, 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”). Our Sling domestic service has a single-stream service branded Sling Orange and a multi-stream service branded Sling Blue, which includes, among other things, the ability to stream on up to three devices simultaneously. All Sling branded pay-TV subscribers are included in our Pay-TV subscriber count. As of June 30, 2017, we had 13.332 million Pay-TV subscribers in the United States.

In addition, we have marketed broadband services under the dishNET™ brand, which had 0.509 million subscribers in the United States as of June 30, 2017. Our dishNET satellite broadband service has utilized advanced technology and high-powered satellites launched by Hughes Communications, Inc. (“Hughes”) and ViaSat, Inc. (“ViaSat”) to provide broadband coverage nationwide, primarily targeting rural residents that are underserved, or unserved, by wireline broadband. 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 14 of these states located in the western United States. We have primarily bundled our dishNET branded services with our DISH branded pay-TV service. During the first quarter 2017, we decided to transition our wholesale arrangement with Hughes to an authorized representative arrangement and entered into a master service agreement (the “MSA”) with Hughes Network Systems, LLC (“HNS”), a wholly-owned subsidiary of Hughes, pursuant to which we, among other

things: (i) have the right, but not the obligation, to market, promote and solicit orders for the Hughes broadband satellite service and related equipment; and (ii) install Hughes service equipment with respect to activations generated by us. While broadband subscriber activations generated by us under the MSA are not included in our Broadband subscriber count, under the MSA, HNS will make certain payments to us for each Hughes service activation generated and installation performed by us, and we will not have to incur subscriber acquisition costs for these subscribers. See Note 12 for further information. As a result of the MSA with Hughes, we are no longer marketing dishNET satellite broadband services provided on a wholesale basis by Hughes, and our Broadband subscriber count related to the Hughes service will decline through customer attrition.

As a result of the completion of the Share Exchange with EchoStar, described below, we also design, develop and distribute receiver systems and provide digital broadcast operations, including satellite uplinking/downlinking, transmission and other services to third-party pay-TV providers. See Note 2 and Note 12 for further information.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Wireless

Since 2008, we have directly invested over \$11 billion to acquire certain wireless spectrum licenses and related assets and made over \$10 billion in non-controlling investments in certain entities, for a total of over \$21 billion, as described further below.

DISH Network Spectrum

We have directly invested over \$11 billion to acquire certain wireless spectrum licenses and related assets. Most recently, the broadcast incentive auction in the 600 MHz frequency range (“Auction 1000”) began on March 29, 2016 and concluded on March 30, 2017. On April 13, 2017, the FCC announced that ParkerB.com Wireless L.L.C. (“ParkerB.com”), a wholly-owned subsidiary of DISH Network, was the winning bidder for 486 wireless spectrum licenses (the “600 MHz Licenses”) with aggregate winning bids totaling approximately \$6.211 billion. On April 27, 2017, ParkerB.com filed an application with the FCC to acquire the 600 MHz Licenses. On July 1, 2016, we paid \$1.5 billion to the FCC as a deposit for Auction 1000. On May 11, 2017, we paid the remaining balance of our winning bids of approximately \$4.711 billion. On June 14, 2017, the FCC issued an order granting ParkerB.com’s application to acquire the 600 MHz Licenses.

These wireless spectrum licenses are subject to certain interim and final build-out requirements. 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 will incur significant additional expenses and will have to make significant investments related to, among other things, research and development, wireless testing and wireless network infrastructure. In March 2017, we notified the FCC that we plan to deploy a next-generation 5G-capable network, focused on supporting narrowband Internet of Things (“IoT”). The first phase of the network deployment will be completed by March 2020, with subsequent phases to be completed thereafter. 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.

See Note 10 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 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 consolidate these entities into our financial statements. See Note 2 for further information.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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, comply with regulations applicable to such AWS-3 Licenses, and make any potential payments related to the re-auction of AWS-3 licenses retained by the FCC. Depending upon the nature and scope of such commercialization, build-out, integration efforts, regulatory compliance, and potential re-auction payments, 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, 2016. 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.

On February 28, 2017, we and EchoStar and certain of our respective subsidiaries completed the transactions contemplated by the Share Exchange Agreement (the “Share Exchange Agreement”) that was previously entered into on January 31, 2017 (the “Share Exchange”). Pursuant to the Share Exchange Agreement, among other things, EchoStar transferred to us certain assets and liabilities of the EchoStar technologies and EchoStar broadcasting businesses, consisting primarily of the businesses that design, develop and distribute digital set-top boxes, provide satellite uplinking services and develop and support streaming video technology, as well as certain investments in joint ventures, spectrum licenses, real estate properties and EchoStar’s ten percent non-voting interest in Sling TV Holding L.L.C. (the “Transferred Businesses”), and in exchange, we transferred to EchoStar the 6,290,499 shares of preferred tracking stock issued by EchoStar (the “EchoStar Tracking Stock”) and 81.128 shares of preferred tracking stock issued by Hughes Satellite Systems Corporation, a subsidiary of EchoStar (“HSSC”) (the “HSSC Tracking Stock,” and together with the EchoStar Tracking Stock, collectively, the “Tracking Stock”), that tracked the residential retail satellite broadband business of HNS. In connection with the Share Exchange, we and EchoStar and certain of their subsidiaries entered into certain agreements covering, among other things, tax matters, employee matters, intellectual property matters and the provision of transitional services. See Note 12 for further information.

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

As the Share Exchange was a transaction between entities that are under common control, accounting rules require that our Condensed Consolidated Financial Statements include the results of the Transferred Businesses for all periods presented, including periods prior to the completion of the Share Exchange. We initially recorded the Transferred Businesses at EchoStar's historical cost basis. The difference between the historical cost basis of the Transferred Businesses and the net carrying value of the Tracking Stock is recorded in "Additional paid-in capital" on our Condensed Consolidated Balance Sheets. The results of the Transferred Businesses were prepared from separate records maintained by EchoStar for the periods prior to March 1, 2017, and may not necessarily be indicative of the conditions that would have existed, or the results of operations, if the Transferred Businesses had been operated on a combined basis with our subsidiaries. The primary impacts to our financial statement presentation are as follows:

- Our investments in the EchoStar Tracking Stock and HSSC Tracking Stock are no longer included in our Condensed Consolidated Balance Sheets.
- The assets and liabilities of the Transferred Businesses are recorded in our Condensed Consolidated Balance Sheets, and the results of operations of the Transferred Businesses, including sales of set-top boxes to third parties, are recorded in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).
- Sling TV Holding L.L.C., in which EchoStar held a 10% non-voting interest prior to the Share Exchange, is accounted for as though it was an indirect wholly-owned subsidiary of DISH Network.
 - Intercompany transactions between the Transferred Businesses and us, including, among others, the sale of set-top boxes and broadcast services from EchoStar to us, have been eliminated to the extent possible, including the margin EchoStar received on those sales.

Our subsequent annual and quarterly financial statements will include the results of the Transferred Businesses as described above for all periods presented in those financial statements, including periods prior to the completion of the Share Exchange. The table below includes unaudited supplemental pro forma information for revenue and net income (loss) attributable to DISH Network on our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) as if the results of the Transferred Businesses were included for the three and six months ended June 30, 2016 and for the year ended December 31, 2016, respectively:

	DISH Network (as previously reported)	Adjustments Relating to the Transferred Businesses (In thousands)	DISH Network (as currently reported)
For the Three Months Ended June 30, 2016:			
Total revenue	\$ 3,837,036	\$ 27,555	\$ 3,864,591
	\$ 410,464	\$ 13,639	\$ 424,103

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Net income (loss)
 attributable to DISH
 Network

For the Six Months Ended
 June 30, 2016:

Total revenue	\$ 7,624,271	\$ 67,794	\$ 7,692,065
Net income (loss) attributable to DISH Network	\$ 799,754	\$ 24,240	\$ 823,994

For the Year Ended
 December 31, 2016:

Total revenue	\$ 15,094,562	\$ 117,740	\$ 15,212,302
Net income (loss) attributable to DISH Network	\$ 1,449,853	\$ 48,086	\$ 1,497,939

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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 consolidate Northstar Spectrum into our financial statements. 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.

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 consolidate SNR HoldCo into our financial statements. 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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, independent third-party 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.

Property and Equipment

Property and equipment are stated at amortized cost less impairment losses, if any. The costs of satellites under construction, including interest and certain amounts prepaid under our satellite service agreements, are capitalized during the construction phase, assuming the eventual successful launch and in-orbit operation of the satellite. If a satellite were to fail during launch or while in-orbit, the resultant loss would be charged to expense in the period such loss was incurred. The amount of any such loss would be reduced to the extent of insurance proceeds estimated to be received, if any. Depreciation is recorded on a straight-line basis over useful lives ranging from one to 40 years. Repair and maintenance costs are charged to expense when incurred. Renewals and improvements that add value or extend the asset's useful life are capitalized. Costs related to the procurement and development of software for internal-use are capitalized and amortized using the straight-line method over the estimated useful life of the software.

Cost of Sales – Equipment and Other

Costs include the cost of non-subsidized sales of DBS accessories and the cost of sales of digital receivers and related components to third-party pay-TV providers, both of which include freight and royalties. Costs are generally recognized as products are delivered to customers and the related revenue is recognized.

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, H Block and 600 MHz 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. We are preparing for the commercialization of our 600 MHz Licenses and began capitalizing interest related to these licenses as of June 14, 2017. As the carrying amount of these licenses now exceeds the carrying value of our long-term debt, materially all of our interest expense is being capitalized as of June 14, 2017.

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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 June 30, 2017 and December 31, 2016, 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 based on, among other things, available trade information, and/or 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.

Revenue Recognition

We recognize revenue when an arrangement exists, prices are determinable, collectability is reasonably assured and the goods or services have been delivered.

Revenue from our Pay-TV services is recognized when programming is broadcast to subscribers. We recognize revenue from our broadband services when the service is provided. Payments received from Pay-TV and Broadband subscribers in advance of the broadcast or service period are recorded as “Deferred revenue and other” in our Condensed Consolidated Balance Sheets until earned. Revenue from equipment sales generally is recognized upon shipment to customers.

For certain of our promotions, subscribers are charged an upfront fee. A portion of these fees may be deferred and recognized over the estimated subscriber life for new subscribers or the estimated remaining life for existing subscribers ranging from four to five years. Revenue from advertising sales is recognized when the related services are performed.

Subscriber fees for DISH branded pay-TV equipment rental fees and other hardware related fees, including fees for DVRs, fees for broadband equipment and additional outlet fees, advertising services and fees earned from our in-home service operations are recognized as revenue as earned. Generally, revenue from equipment sales, equipment upgrades and sales of streaming-capable devices for our Sling branded pay-TV services are recognized upon shipment to customers.

Certain of our existing and new subscriber promotions include programming discounts. Programming revenues are recorded as earned at the discounted monthly rate charged to the subscriber.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

We offer our customers the opportunity to download movies for a specific viewing period or permanently purchase a movie from our website. We recognize revenue when the movie is successfully downloaded by the customer, which, based on our current technology, occurs at the time the customer plays the movie for the first time.

Research and Development

Research and development costs are expensed as incurred. Research and development costs totaled \$9 million and \$12 million for the three months ended June 30, 2017 and 2016, respectively. Research and development costs totaled \$16 million and \$24 million for the six months ended June 30, 2017 and 2016, respectively.

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”), and has modified the standard thereafter. 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. 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. While we have not determined the effect of the standard on our ongoing financial reporting, we believe that the standard will, among other things, change the allocation and timing of when revenue is recognized for those customers who have a contractual commitment to receive service for a minimum term, including time-limited discounts or free service periods. Under current accounting rules, we recognize revenue net of discounts during the promotional periods and do not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition will be accelerated for these contracts as the impact of discounts or free service periods that are considered performance obligations will be recognized uniformly over the total contractual period. In addition, the standard will require that incremental costs to obtain a customer, which represent a significant portion of our non-advertising subscriber acquisition costs, be deferred and recognized over the expected customer life, whereas our current policy is to expense these costs as incurred. As the new standard will impact revenue and cost recognition for a significant number of our contracts, as well as our business processes and information technology systems, our evaluation of the effect of the new standard is ongoing. We are currently in the process of identifying and

implementing changes to our systems, processes, and internal controls to meet the requirements of the standard. The ultimate impact of adopting ASU 2014-09 for both revenue recognition and costs to obtain and fulfill contracts will depend on the promotions and offers in place during the period leading up to and after the adoption of ASU 2014-09.

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.

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(Unaudited)

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 2016-15 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.

Statement of Cash Flows: Restricted Cash. On November 17, 2016, the FASB issued ASU 2016-18 Restricted Cash (“ASU 2016-18”), which addresses the diversity where changes in restricted cash are classified on the cash flow statement. ASU 2016-18 requires that changes in restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the statement of cash flows. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. We expect that the adoption of ASU 2016-18 will have an immaterial impact on our Condensed Consolidated Financial Statements and related disclosures.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 Convertible Notes due 2026 issued August 8, 2016 and our Convertible Notes due 2024 issued March 17, 2017 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 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 will be included in the calculation of diluted EPS assuming conversion of the Convertible Notes 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 June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands, except per share amounts)			
Net income (loss)	\$ 58,762	\$ 438,062	\$ 448,837	\$ 850,006
Less: Net income (loss) attributable to noncontrolling interests, net of tax	18,646	13,959	33,006	26,012
Net income (loss) attributable to DISH Network - Basic	40,116	424,103	415,831	823,994
Interest on dilutive Convertible Notes, net of tax	—	—	30,125	—
Net income (loss) attributable to DISH Network - Diluted	\$ 40,116	\$ 424,103	\$ 445,956	\$ 823,994
Weighted-average common shares outstanding - Class A and B common stock:				
Basic	466,019	464,803	465,717	464,589
Dilutive impact of Convertible Notes	—	—	53,152	—
Dilutive impact of stock awards outstanding	916	837	992	840
Diluted	466,935	465,640	519,861	465,429
Earnings per share - Class A and B common stock:				
Basic net income (loss) per share attributable to DISH Network	\$ 0.09	\$ 0.91	\$ 0.89	\$ 1.77
	\$ 0.09	\$ 0.91	\$ 0.86	\$ 1.77

Diluted net income (loss) per share attributable to
DISH Network

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. For the three months ended June 30, 2017, the effect of the Convertible Notes is excluded from the computation of diluted net income (loss) per share attributable to DISH Network, as the 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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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

	As of June 30,	
	2017	2016
	(In thousands)	
Anti-dilutive stock awards	1,536	1,826
Performance based options (1)	6,896	4,379
Restricted Performance Units	1,281	1,370
Common stock warrants	46,029	—
Total	55,742	7,575

- (1) The increase in performance based options as of June 30, 2017 primarily resulted from the issuance of stock option awards as of January 1, 2017 under a long-term, performance-based stock incentive plan adopted on December 2, 2016 (the “2017 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,	
	2017	2016
	(In thousands)	
Cash paid for interest (including capitalized interest)	\$ 496,644	\$ 414,130
Cash received for interest	4,760	9,478
Cash paid for income taxes (1)	20,427	211,529

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Capitalized interest (2)	488,123	382,458
Initial equity component of the 2 3/8% Convertible Notes due 2024, net of deferred taxes of \$91,485 (3)	160,896	—
Employee benefits paid in Class A common stock	23,134	24,984
Satellites and other assets financed under capital lease obligations	—	7,510

- (1) As a result of, among other things, the FCC granting our application to acquire the 600 MHz Licenses and less estimated taxable income during 2017, cash paid for income taxes is expected to be significantly lower than in prior periods.
- (2) See Note 2 for further information.
- (3) See Note 9 for further information.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

5. Other Comprehensive Income (Loss)

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

	For the Three Months Ended June 30, 2017			2016		
	Before Tax Amount (In thousands)	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit	Net of Tax Amount
Foreign currency translation adjustments	\$ 639	\$ —	\$ 639	\$ —	\$ —	\$ —
Unrealized holding gains (losses) on available-for-sale securities	801	(290)	511	2,497	(916)	1,581
Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(630)	228	(402)	(28,953)	10,155	(18,798)
Other comprehensive income (loss)	\$ 810	\$ (62)	\$ 748	\$ (26,456)	\$ 9,239	\$ (17,217)

	For the Six Months Ended June 30, 2017			2016		
	Before Tax Amount (In thousands)	Tax (Expense) Benefit	Net of Tax Amount	Before Tax Amount	Tax (Expense) Benefit (1)	Net of Tax Amount
Foreign currency translation adjustments	\$ 846	\$ —	\$ 846	\$ —	\$ —	\$ —
Unrealized holding gains (losses) on available-for-sale securities	6,965	(2,559)	4,406	(104)	38	(66)

Recognition of previously unrealized (gains) losses on available-for-sale securities included in net income (loss)	(634)	233	(401)	(93,643)	34,118	(59,525)
Other comprehensive income (loss)	\$ 7,177	\$ (2,326)	\$ 4,851	\$ (93,747)	\$ 34,156	\$ (59,591)

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

Accumulated Other Comprehensive Income (Loss)	Foreign Currency Translation Adjustment (In thousands)	Unrealized/ Recognized Gains (Losses)	Total
Balance as of December 31, 2016	\$ —	\$ 781	\$ 781
Foreign currency translation adjustments	846	—	846
Other comprehensive income (loss) before reclassification	—	4,406	4,406
Amounts reclassified from accumulated other comprehensive income (loss)	—	(401)	(401)
Balance as of June 30, 2017	\$ 846	\$ 4,786	\$ 5,632

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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, 2017	December 31, 2016
	(In thousands)	
Marketable investment securities:		
Current marketable investment securities - strategic	\$ 12,763	\$ 6,721
Current marketable investment securities - other	7,797	28,895
Total current marketable investment securities	20,560	35,616
Restricted marketable investment securities (1)	81,277	81,679
Total marketable investment securities	101,837	117,295
Restricted cash and cash equivalents (1)	156	681
Other investment securities:		
Other investment securities - equity method	111,600	25,098
Other investment securities - cost method	8,150	8,150
Total other investment securities	119,750	33,248
Total marketable investment securities, restricted cash and cash equivalents, and other investment securities	\$ 221,743	\$ 151,224

(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. See Note 2 for further information.

Current Marketable Investment Securities – Strategic

Our current strategic marketable investment securities portfolio includes and may include strategic and financial debt and equity investments in private and public companies that are highly speculative and have experienced and continue to experience volatility. As of June 30, 2017, 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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DISH NETWORK CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

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 June 30, 2017 and December 31, 2016, 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. Certain of our equity method investments are detailed below.

NagraStar L.L.C. As a result of the completion of the Share Exchange on February 28, 2017, we own a 50% interest in NagraStar L.L.C. (“NagraStar”), a joint venture that is our primary provider of encryption and related security systems intended to assure that only authorized customers have access to our programming.

Invidi Technologies Corporation. In November 2016, we, DIRECTV, LLC, a wholly-owned indirect subsidiary of AT&T Inc., and Cavendish Square Holding B.V., an affiliate of WPP plc, entered into a series of agreements to

acquire Invidi Technologies Corporation (“Invidi”), an entity that provides proprietary software for the addressable advertising market. The transaction closed in January 2017.

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - Continued

(Unaudited)

Unrealized Gains (Losses) on Marketable Investment Securities

As of June 30, 2017 and December 31, 2016, we had accumulated net unrealized gains of \$8 million and \$1 million, respectively. These amounts, net of related tax effect, were \$5 million and \$1 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, 2017				As of December 31, 2016			
	Marketable Investment Securities (In thousands)	Unrealized Gains	Losses	Net	Marketable Investment Securities	Unrealized Gains	Losses	Net
Debt securities (including restricted):								
U.S. Treasury and agency securities	\$ 81,724	\$ —	\$ (180)	\$ (180)	\$ 81,982	\$ 13	\$ (132)	\$ (119)
Corporate securities	19,606	7,728	(4)	7,724	33,555	1,327	—	