IN THE SUPREME COURT OF THE STATE OF NEVADA

PLUMBERS LOCAL UNION NO. 519 PENSION TRUST FUND; AND CITY OF STERLING HEIGHTS POLICE AND FIRE RETIREMENT SYSTEM, DERIVATIVELY ON BEHALF OF NOMINAL DEFENDANT DISH NETWORK CORPORATION,

Appellants,

vs.

CHARLES W. ERGEN; JAMES DEFRANCO; CANTEY M. ERGEN; STEVEN R. GOODBARN; DAVID K. MOSKOWITZ; TOM A. ORTOLF; CARL E. VOGEL; GEORGE R. BROKAW; JOSEPH P. CLAYTON; GARY S. HOWARD; DISH NETWORK CORPORATION, A NEVADA CORPORATION; AND SPECIAL LITIGATION COMMITTEE OF DISH NETWORK CORPORATION,

Respondents.

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Supreme Court No. 81704

District Court No. A-17-763397-B

JOINT APPENDIX
Vol. 6 of 85
[JA001094-JA001337]

Eric D. Hone (NV Bar No. 8499)
Joel Z. Schwarz (NV Bar No. 9181)
H1 LAW GROUP
701 N. Green Valley Pkwy., Suite 200
Henderson, Nevada 89074
Tel: (702) 608-3720

Liaison Counsel for Appellants

J. Stephen Peek
Robert J. Cassity
HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, Nevada 89134
Tel: (702) 669-4600

Attorneys for the Special Litigation Committee of Nominal Defendant DISH Network Corporation

[Additional counsel appear on next page.]

Randall J. Baron *(Pro Hac Vice)* Benny C. Goodman III *(Pro Hac Vice)* Erik W. Luedeke *(Pro Hac Vice)* ROBBINS GELLER RUDMAN & DOWD LLP 655 West Broadway, Suite 1900 San Diego, CA 92101-8498 Tel: (619) 231-1058 *Lead Counsel for Appellants*	C. Barr Flinn Emily V. Burton YOUNG CONAWAY STARGATT & TAYLOR, LLP Rodney Square 1000 North King Street Wilmington, DE 19801 Tel: (302) 571-6600 *Attorneys for the Special Litigation Committee of Nominal Defendant DISH Network Corporation*

TABLE OF CONTENTS FOR VOLUME 6[1]

[1] Volumes 2-85 of the Joint Appendix include only a per-volume table of contents. Volume 1 of the Joint Appendix includes a full table of contents incorporating all documents in Volumes 1-85.

[2] The Evidentiary Hearing Exhibits were filed with the District Court on July 6, 2020.

Table A:

United States v. DISH

Documents Relied Upon by the Illinois Court in Issuing Findings of Fact and Conclusions of Law

Table A:

United States v. DISH

Documents Relied Upon by the Illinois Court in Issuing Findings of Fact and Conclusions of Law[1]

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
660	PX16	Expert Report of John T. Taylor (October 14, 2013)	N/A
656	PX26	Revised Expert Report of PossbileNow (September 20, 2012)	N/A
661	PX28	Expert Rebuttal Report of John T. Taylor (November 6, 2013)	N/A
635	PX33	Email Chain between K. Sponsler, B. Kitei, K. Berridge, A. Hutnik (July 8, 2010) (with attachment)	No
662	PX38	Declaration of Dr. Erez Yoeli (December 18, 2013) (with attachments)	N/A
599	PX46	Email Chain between B. Davis, R. Munger, M. Faucett, K. Berridge (November 9, 2007)	No
513	PX52	Petition for Temporary Restraining Order, Preliminary and Permanent Injunctions, Civil Penalties and Other Relief (August 27, 2003)	N/A

[1] This chart excludes excel spreadsheets reflecting logs of calls made by DISH to consumers whether prepared for trial or maintained contemporaneously by DISH. Specifically, the chart excludes (1) call log exhibits PX745-60, 772-74, 776-77, 779-89, 791-805, 807-14, 817, 820-21, 824, 826, 828, 831-85, 890-902, 914-47; (2) OE Retailer call list DTX906; (3) Call campaign summary spreadsheets prepared by DISH expert for trial 626A-626E; (4) InterImage's Calling Record Hit List, PX1417, and (5) Affiliate Tracker Spreadsheets, PX1271-72.

Appendix Cite	**Trial Exhibit**	**Description of Cited Support**	**Director Defendants Involved in Conversation?**
485	PX53	Email Chain between D. Steele, S. Dodge, M. Dugan, M. Kelly, J. DeFranco, A. Kapoor, M. Gutierrez, Charles Ergen, David Moskowitz, donotcall@ftc.gov, exectivecustomerservice@echostar.com, N. Daines, D. Rayner, R. Strickland, Carl Vogel, M. Jackson, S. Schaver, dncconsumerinquiry2@ftc.com (February 6, 2006-April 19, 2006)	Charles Ergen, David Moskowitz, Carl Vogel, Jim DeFranco
596	PX54	Email from R. Musso to R. Origer, B. Werner, M. Mills (October 4, 2007)	No
29	PX55	2009 Assurance of Voluntary Compliance	N/A
605	PX58	Email Chain between B. Davis, E. Pastorious, C. Schmidt, S. Sorensen, J. Montano, B Pacini, S. McElroy, B. Pacini, T. Stingley, J. Jacobson, mjc@kgrlaw.com, M. Colucci, D. Lindsey (May 5-June 6, 2008)	No
627	PX59	Email Chain between J. Montano, B. Davis, A. Dexter, R. Williams, Scott@ecreekgroup.com, C. Strahan (January 28, 2010)	No
518	PX61	Letter from A. Ahmed to D. Hagen (October 7, 2003)	No
556	PX72	Letter from T. Bappe to B. Dalton (July 14, 2006)	No
504	PX80	Email Chain between N. Meyers, B. Neyton, A. Ahmed, B. Neylon, D. Frey, M. Davidson, S. Novak, D. Pitts, C. Kral, J. Crill, (March 7-11, 2002)	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
603	PX85	Email from M. Fletcher to KBS-CorpPB@echostar.com, Laura Goodhart, T. Duske, B. Davis, B. Pacini, J. Montano (March 14, 2008)	KBS-CorpPB@echostar.com,
644	PX86	Email Chain between A. Dexter, S. Walden, K. Berridge, S. Langford, J. Montano, B. Kitei, M. Head, J. Kornell, D. Grauberger, A. Rodriguez, I. Bahr, M. LaraColores, S. Langford (August 16, 2011)	No
594	PX99	PowerPoint: Gross Sales Update (August 6, 2007)	N/A
530	PX117	Email from T. Binns, M. Parekh, M. Gonzalez, R. Kondilas, A. Ahmed, G. Schaefer, C. Elswick, L. Larson, T. Stingley, M. Parekh, B. Pacini, T. Binns, P. Maulik, B. Pacini, R. Bangert, S. Ring (July 26-August 11, 2004)	No
545	PX120	Email Chain between M. Oberbillig, S. Novak, A. Ahmed, S. Novak, M. Mills, S. Keller, K. Miller, J. Gowland, M. Sweeney, A. Conley, G. Hewitt (September 23-30, 2005)	No
788	PX129	Email Chain between M. Mills and B. Werner (May 17, 2007)	No
560	PX130	Email from B. Werner to M. Metzger and C. Voorhies (August 21, 2006)	No
606	PX143	Email Chain between R. Musso to B. Werner (July 22, 2008)	No
502	PX145	*FTC v. David DeFusco* a/k/a *David Hagen*, C.D. Va. Case NO. 89-1046, Permanent Injunction Order, entered November 3, 1989.	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
519	PX148	Letter from D. Hagan to A. Ahmed (October 7, 2003)	No
526	PX150	*North Carolina v. Prime TV, LLC*, N.C. Wake County, North Carolina Superior Court Case No. 04CVS008148, Consent Judgment, entered June 14, 2004.	N/A
534	PX152	EchoStar Reatiler Agreement with Dish TV Now Inc (December 31, 2004)	N/A
550	PX165	Email from M. Mills to A. Ahmed (December 22, 2005)	No
528	PX168	Letter from Consumer Ryan Swanberg to DISH Legal Department, dated July 26, 2004	No
503	PX180	EchoStar Retailer Agreement with Satellite Systems Network (March 7, 2001)	N/A
538	PX186	*North Carolina v. Vitana Financial Group and Tehranchi, et al.*, Wake County, North Carolina Superior Court, Case No. 04– 8799, Consent Judgment entered March 21, 2005	N/A
507	PX187	Letter from M. Davidson to A. Tehranchi (June 12, 2002).	No
527	PX190	Email Chain between C. Ergen, A. Ahmed, M. Oberbillig, M. Parekh, M. Kelly, J. DeFranco, M. Schwimmer (June 28–30, 2004)	Charlie Ergen, Jim DeFranco
533	PX191	Florida Department of Agriculture and Consumer Services Press Release (November 4, 2004)	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
645	PX199	Email Chain between K. Berridge, B. Kitei, CSCMatterManagement@cscinfo.com, A. Conley, J. Blum, E. Gorsuch, L. Katzin, P. Parisi (August 18, 2011)	No
734	PX200	EchoStar Incentivized Retailer Agreement with Star Satellite LLC (May 13, 2003)	No
735	PX203	Letter from D. Caplan, to D. Moskowitz et al. (January 25, 2007)	David Moskowitz
537	PX204	Email Chain between S. Kramer, FeedBack, D. Hyde, CEO, CEO of Dish Network, J. DeFranco, M. Schwimmer, B. Friffin, CoopAdvertising, CharlieChat, TechForum (February 18, 2005)	CEO, Jim DeFranco
540	PX205	Email Chain between M. Williams, J. Medina, M. Duffy, R. Bangert, (May 25–27, 2005)	No
548	PX207	Email Chain between M. Mills, E. Myers, C. Willis (November 2–3, 2005)	No
542	PX208	Letter from D. Steele to D. Myers (August 12, 2005)	No
546	PX212 (DTX237)	Letter from A. Ahmed to E. Myers et al. (October 26, 2005)	No
629	PX220	Retailer Profile & Notification (April 9, 2010)	No
736	PX222	Email chain between M. Castillo, P. Runkle, B. Eichhorn (Jan 7, 2009)	No
553	PX235	JSR Business Plan (February 9, 2006)	No
555	PX238	EchoStar Retailer Agreement with Jerry Dean Grider dba JSR Enterprises	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
561	PX239	Email Chain between S. Keller, B. Neylon, M. Oberbillig (September 8, 2006) (with attachment)	No
568	PX247	Memorandum from M. Wallace to J. Grider, D. Steele (October 19, 2006)	No
573	PX248	Email Chain between B. Corrigan, D. Bowman, M. Metzger, J. Hernandez, B. Corrigan, W. Zimmerman, P. Thams, K. Weber (October 11-November 15, 2006)	No
574	PX250	Email from R. Musso to R. Goodale (December 20, 2006)	No
575	PX253	Email Chain between M. Mills, R. Musso, B. Neylon, E. Loewenstern (December 20, 2006)	No
576	PX255	Email Chain between R. Musso, B. Neylon, M. Mills, R. Origer, B. Werner (December 21, 2006)	No
581	PX256 (DTX756)	Letter from R. Goodale to R. Musso (January 22, 2007)	No
577	PX265	Email Chain between M. Mills, B. Neylon, R. Musso, R. Origer, B. Werner (December 21, 2006)	No
619	PX282	Email Chain between R. Dougherty, retailerescalation, R. Musso, C. Voorhies, J. Slater, S. Snyder, R. Dougherty, POESupport, TCPA, D. Laslo, (May 19, 2009)	No
637	PX302	Email Chain between A. Dexter, J. Montano, Scott@ecreekgroup.com, joey@ecreekgroup.com, B. Davis (July 28, 2010)	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
543	PX317	Letter from D. Steele to R. Deitch (September 22, 2005)	No
647	PX331	Email Chain between K. Callaghan, L. Luth, I. Bahr, M. Wayne, R. Bangert, Vik Bhakta, P. Mino, J. Swieringa, V. Bhakta (October 28, 2011)	No
621	PX335	Email from N. Jones to K. Juneja, F. Bhasin (June 3, 2009)	No
562	PX386	Email Chain between T. Koch, B. Neylon, P. Knecht, R. Thomson, M. Mills (September 8, 2006)	No
650	PX409	Monthly Update (through January 26, 2012)	No
561	PX420	Email from R. Goodale to D. Steele dated September 28, 2006	No
521	PX438	Email from D. Murphy to R. Bangert and M. Parekh (February 12, 2004) (with attachment)	No
524	PX439	Email from J. Dy to R. Bangert (May 2, 2004)	No
522	PX440	Email from L. Sultan to R. Kondilas, S. Beall, R. Bangert, C. Palmer, M. Parekh, M. Kelly, S. Burden, E. Carlson (March 16, 2004)	No
551	PX471	Email Chain between T. Plumley, R. Bangert, T. Binns, L. Jones (December 29, 2005)	No
508	PX0473	Email from J. Apala to P. Weyforth, T. Stingley, K. Bissell, C. Kuelling, D. Pitts, T. Binns (June 12, 2002)	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
506	PX0477	Email from P. Weyforth to S. Larson, T. Stingley, K. Bissell, S. Welch, S. Schnittgrund, D. Pitts, T. Binns, B. Firestone, N. Weaver, J. Apala, S. Cartwright (May 9, 2002)	No
520	PX478	Email Chain between T. Binns, J. Dimick, S. Richardson, S. Lascelles, B. Pacini, M. Peavy (October 7, 2003)	No
511	PX482	Email Chain between W. Osborne, M. Fox, T. Binns, J. Dimick, J. French, S. Ghoshal, S. Hays, S. Lascelles, J. Liu, R. Mason, C. Rushing, S. Szigethy, G. Vigil, D. Hannappel, A. Roberson, Y. Tran, L. Kerouac, G. Schaefer, J. Scarborough (April 15–17, 2003)	No
673	PX486	Quality Assurance document	No
632	PX492	Email chain between B. Werner, R. Musso, B. Van Emst (September 2, 2008 – June 17, 2010)	No
737	PX503	Email chain between M. Oberbillig, B. Werner, M. Mills, A. Ahmed, J. Spreitzer, E. Miller, M. Hinson, D. Novotny (July 19, 2004 – January 30, 2007)	No
738	PX504	Email chain between M. Oberbillig, B. Werner, A. Ahmed, L. Fiedler, C. Willis, S. Keller, M. Mills, N. Jessen, F. Patrick, E. Carlson, J. Lichtenstein (October 27, 2005–January 30, 2007)	No
566	PX510	Letter from R. Origer to J. Grider dated October 6, 2006	No
570	PX513	Letter from R. Origer to J. Grider dated October 31, 2006	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
630	PX523	Email chain between A. Dexter, B. Davis, J. Montano (May 3, 2010)	No
590	PX536	Retail Services Audit and Risk Q4 2006 (effective May 1, 2007)	No
552	PX538	Letter from Public Utility Commission of Texas to DISH Network dated January 3, 2006	No
486	PX548	Legal TCPA Meeting Discussion Topics dated October 24, 2006	No
646	PX553	Email Chain between R. Musso, W. Mason, J. Scholl, H. Schlenger (October 25, 2011)	No
622	PX559	Email chain between T. McGraw, A. Ahmed, B. Neylon, M. Mills, R. Calbert, C. Cognetta, R. Musso (August 12-13, 2009)	No
623	PX560	Email chain between A. Ahmed, R. Calbert, B. Neylon, M. Mills, B. Han, K. Callaghan, B. Salvatori, B. Delaney, G. Martin (August 18, 2009)	No
565	PX566	Email Chain between J. Greaney, M. Metzger, L. Gardner (October 2, 2006)	No
604	PX598	Email Chain between B. Werner, B. Van Emst, C. Voorhies (April 8, 2008)	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
643	PX616	Email chain between M. Mills, B. Neylon, CET Analytics, B. Han, K. Schneider, E. Carlson, A. Ahmed, R. Musso, K. Callaghan, Y. Benbenisti, D. Barton, M. Stadelmaier, C. Schmidt, E. Bobian, D. Cernich, K. Schneider, M. Mills, D. Swanson, S. Bogie, B. Salvatori, #CSC – General Managers, A. Seaback, B. Doerner, A. Thomsen, J. Perkins, S. Altizer, A. Gonzalez, J. Majdanik, R. Ege, S. Fox, W. Patton, J. Newman, N. Ulin, A. ARchut, J. Moreno, A. Khan, M. Gardner, M. Williams, E. Meachum, R. Melhem, J. Patton, S. Sta. Maria, B. Elkhatib, B. Baumann, K. Masu, M. Cohen, J. Workman, M. Berlin, K. Richards, R. Wiebensohn, J. Valentine, R. Dye, S. Neal, J. Lynn, P. Knott, F. Gamboa, K. Briscoe, J. Najera, J. Scholl, S. Barry, J. Sheehan, J. Morris, J. McKenzie, M. Weddle, J. Schmoldt, S. Ruybal, K. Button, M. Villa (August 13, 2011)	No
595	PX620	Email Chain between R. Musso, R. Origer, B. Neylon (August 17, 2007)	No
554	PX621	Email chain between E. Carlson, J. DeFranco, C. Palmer, M. Dugan, T. Stingley, J. Galvin, K. Kilaru, R. Origer, B. Neylon, J. Santos, C. Palmer, K. Callaghan, V. Pandey, C. Ergen (March 2-20, 2006)	Jim DeFranco
558	PX650	Email Chain between J. DeFranco, M. Metzger, B. Werner, R. Origer, E. Carlson, D. Steele, Executive Communications, S. Woodzelle, (August 7, 2006)	Jim DeFranco

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
598	PX653	Email Chain between B. Werner, K. Knight, C. Voorhies, R. Origer (October 26, 2007)	No
531	PX656	Email chain between M. Oberbillig, B. Werner, J. Spreitzer, A. Ahmed, J. DeFranco (September 14-15, 2004)	Jim DeFranco
640	PX658	Email chain between A. Ahmed, B. Neylon, J. DeFranco, R. Musso, A. Gabriele, M. Trimarco, M. Mills, C. Ergen, T. Cullen, chase.ergen@nagra.com (March 25, 2011)	Jim DeFranco
601	PX669	Email Chain between J. Blum, N. Downey, J. Gowland, E. Pastorius (December 10, 2007)	No
515	PX688	Email from S. Novak to M. Parekh, B. Pacini, R. Bangert, T. Binns, K. Bissell, C. Kuelling, J. Dimick, L. Lane, C. Rushing, T. Gattone, K. Kesavan (September 10, 2003)	No
516	PX689	Email chain between S. Novak, T. Binns, L. Larson, C. Kuelling, M. Parekh, K. Bissell dated (September 4-10, 2003)	No
584	PX695	Email Chain between T. Binns, R. Duran, J. Pierce, C. Thompson, R. Bagwell, M. Faucett, B. Davis, H. Black, P. Hastings, D. Maricle, S. Lanning, J. Murray, D. Steele, D. Hargan, R. Duran (February 1, 2007)	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
583	PX696	Email chain between T. Binns, S. Lanning, R. Duran, C. Thompson, R. Bagwell, D. Hargan, D. Steele, R. Bandyopadhyay, R. Bangert, G. Krause, J. Murray, J. Pierce, E. Prusiewicz (January 18–26, 2007)	No
591	PX704	Email Chain between D. Hargan, E. Pastorius, J. Blum, B. Pacini, R. Bangert, M. Gotto, E. Carlson, T. Stingley, T. Binns, P. Klein, S. Lanning, J. Williamson, B. Neylon (May 21–June 7, 2007)	No
641	PX724	Draft Script Risk Management, Audit and Compliance dated April 15, 2011	N/A
616	PX730	PowerPoint: Sales Partner Review 2009	N/A
625	PX733	Email Chain between B. Davis, E. Pastorius, J. Montano, L. Kalani, C. Thompson, R. Bagwell, D. Cernich, L. Rose, J. Sitko. G. Caldwell (June 2, 2009 – January 5, 2010)	No
569	PX744	Email Chain between T. Pyle and R. Musso (October 22, 2006)	No
510	PX908	Petition for Approval of Assurance of Voluntary Compliance dated April 11, 2003	N/A
559	PX1044	Email from B. Neylong to M. Mills (August 14, 2006) (with attached Letter from M. Oberbillig to J. Grider dated August 10, 2006)	No
567	PX1045	Email Chain between M. Mills, B. Neylon, E. Carlson, B. Solberg (with attachment) (October 3–10, 2006)	No
674	PX1048	OE Partner QA Action Plans	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
675	PX1051	Facts Blast	N/A
739	PX1079	Email Chain between J. Montano, J. Dang, I. Falkowski, C. Strahan, A. Dexter, S. Novak, B. Salvatori (January 10, 2010)	No
740	PX1082	Retailer Complaint Chart	N/A
585	PX1083	Email Chain between R. Musso, B. Neylon, R. Origer, M. Mills, B. Werner (February 8, 2007)	No
306	PX1086	Email Chain between Ron Dufault, L. Vallejos, R. Musso (September 21, 2006)[2]	No
655	PX1088	Dish Network Corp Form 10-Q dated August 8, 2012	N/A
651	PX1092	Dish Network Corp Form 10-K dated February 23, 2012	N/A
649	PX1093	Dish Annual Report Year Ending December 31, 2011	N/A
579	PX1107	Email from POESupport@echostar.com (January 4, 2007)	No
580	PX1113	Transmittal email from Musso to JSR (January 17, 2007)	No
541	PX1131	Civil Investigative Demand dated July 21, 2005	N/A
578	PX1135	Email Chain between R. Musso, B. Neylon, M. Mills, R. Origer, B. Werner (December 21, 2006)	No
588	PX1139	Agency T&Cs – Q1 2007 Release	N/A

[2] PX1086 is a collection of documents. The *U.S. v. DISH* court specifically cited an email chain contained on page 23-24 of the exhibit.

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
549	PX1144	Retailer Audit Notification & Summary dated December 20, 2005	No
741	PX1176	Email Chain between T. Binns, S. Richardson, B. Pacini, J. Dimick, R. Bangert, M. Parekh (September 16–17, 2003)	No
642	PX1181	Email Chain between A. Dexter, G. Kuehn, R. Bangert, F. Bachhuber (June 15–16, 2011)	No
563	PX1202	Risk Summary – TCPA/Disclosures Week Ending September 12, 2006	No
676	PX1208	Dish Order Entry Tool	N/A
593	PX1220	Email Chain between D. Lindsey, E. Carlson, B. Neylon, M. Raab, B. Pacini, J. DeFranco (June 22, 2007–July 18, 2007)	Jim DeFranco
628	PX1248	Project Scope Document dated February 2, 2010	N/A
631	PX1294	Email from R. Quader to T. Rukas, B. Werner, S. Snyder, Sophie, R. Musso (June 3, 2010)	No
592	PX1298	Letter from North Dakota Assistant AG James Thomas to Echostar and Dish Nation LLC dated June 25, 2007 (with attachment[3])	No
589	PX1299	Letter from Chad Austin to Dana Steele dated March 27, 2007	No

[3] Enclosed: *North Dakota ex rel. Stenehjem v. Creative Concepts Group, Inc.*, N.D. Dist. Ct., South Central Judicial Dist., Civ. No. 07C1307, Assurance of Voluntary Compliance Order entered June 21, 2007.

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
608	PX1306	Email Chain between S. McElroy, B. Werner, B. Eichhorn, C. Voorhies, R. Musso, J. DeFranco, T. Stingley, B. Van Emst (September 4–5, 2008)	Jim DeFranco
657	PX1319	Rebuttal Report by Dr. Erez Yoeli dated October 16, 2012	N/A
677	PX1340	EchoStar Satelie, L.L.C. Response to Supplemental Civil Investigative Subpoena Duces Tecum Pursuant to Title 9 Vermont Statues Annotated § 2460	N/A
609	PX1347	Email from R. Musso to B. Van Emst (September 16, 2008) (with attachment)	No
626	PX1355	Email Chain between B. Wener, R. Hernandez, C. Voorhies, L. Vallejos (January 26, 2010)	No
557	PX1361	Email chain between T. Stingley, M. Metzger, J. Sullivan, E. Carlson, B. Neylon, M. Cohen, D. Steele, R. Origer, M. Gonzalez, P. Klein, R. Bangert, J. Bragalone, S. Sparks, E. Holcomb, M. Gotto, L. Sultan, B. Werner, S. Shah dated July 11, 2006 – July 19, 2006	No
678	PX1362	Vendor is not found. What Next?	N/A
582	PX1404	Email from R. Bagwel to D. Steele, D. Hargan, J. Murray, C. Thompson, R. Duran, R. Bandyopadhyay, R. Bangert, T. Binns, E. Prusiewicz (January 23, 2007)	No
663	PX1405	2014 NANPA Annual Report	N/A
653	PX1418	Report of Dr. Erez Yoeli dated July 19, 2012	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
488	PX1430	Email Chain between D. Pitts, T. Binns, B. Firestone, S. Novak, C. Melton, P. Weyforth, K. Bissell, T. Stingley, S. Larson, N. Weaver (May 3–8, 2002)	No
664	PX1440	Dish Form 10-K dated February 18, 2016	N/A
665	PX1466[4]	Revised Supplemental Expert Report of Dr. Erez Yoeli for Plaintiff States of California, Illinois, North Carolina & Ohio dated July 7, 2016	N/A
659	PX2093	Geographical Mobility: 2005 to 2010 dated December 2012	N/A
234	DTX7	Email Chain between J. Dang, J. Montano, Scott@ecreekgroup.com, B. Davis, A. Dexter (July 28, 2010) (with attachment)	No
670	DTX14	PowerPoint: Dish Network One and Done Service for Customers and Consumers	N/A
586	DTX139	Retailer Audit Notification & Summary dated February 14, 2007	No
602	DTX144	Master Services Agreement dated December 14, 2007	N/A
613	DTX180	Federal Trade Commission Do Not Call Registry Monthly Performance Report dated November 2008	N/A

[4] Although the court cites to PX1446, the description of that document is: Revised Supplemental Expert Report of Dr. Erez Yoeli for Plaintiff States of California, Illinois, North Carolina & Ohio, dated July 7, 2016 (Yoeli July 2016 Report), Appendix C, Email from Dish's Counsel to Plaintiff California's Counsel dated May 26, 2016 (May 26, 2016 Email).

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
648	DTX183	Biennial Report to Congress Under the Do Not Call Registry Fee Extension Act of 2007 FY 2010 and 2011 dated December 2011	N/A
654	DTX189	Report of Robert N. Fenili, Ph.D. dated July 26, 2012	N/A
532	DTX223	Email Chain between C. Kuelling, S. Dodge, S. Novak, A. Ahmed, D. Hagen, J. DeFranco (September 16, 2004)	Jim DeFranco
509	DTX335	Retailer Business Questionnaire dated March 11, 2003	No
523	DTX338	Letter to C. Brown from Federal Trade Commission dated April 16, 2004	No
525	DTX340	Letter to C. Brown from Federal Trade Commission dated May 21, 2004	No
539	DTX348	Email Chain between L. Miller, D. Robbins, M. Windelberg, S. Flynn, C. Gardner (December 22, 2004 – May 24, 2005) (with attachment)	No
729	DTX352	Memorandum from H. Sribnick to L. Parnes dated September 30, 2005	No
610	DTX459	Do-Not-Call Improvement Act of 2007 dated October 2008	N/A
614	DTX463	Email Chain between D. Klueter, K. Horne, J. Krebs, K. French, T. Martwinski, M. Thirukkonda, S. Frey, R. Stauffer, N. Chanin, P. Blunt, C. Hoover, B. Neider (December 18–19, 2008)	No
615	DTX466	Lockheed Martin November 2008 Process Issue dated December 22, 2008	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
617	DTX486	Analysis of the Phone Number On the National Do Not Call Registry dated March 31, 2009	N/A
730	DTX583	Analysis of the Potential Input File Issue for the October 2008 National DNC Registry Reassign Process	N/A
600	DTX650	Email from R. Bangert to B. Davis, M. Faucett, J. Montano (December 10, 2007) (with attachment)	No
497	DTX662	Email Chain between A. Dexter, B. Lohmeier, M. Gregg, J. Montano, B. Davis (March 23, 2010)	No
633	DTX670	Pdialer Meeting Notes from July 1, 2010	N/A
639	DTX671	Email Chain between A. Dexter, B. Lohmeier, J. Sitko (January 19-March 16, 2011)	No
586	DTX674	Press release dated February 14, 2007	N/A
671	DTX737	Letter from R. Goodale to R. Musso, undated	No
618	DTX741	Email chain between S. Tehranchi, Vendor Inquiries, S. Snyder, alex@yourdish.tv, T. Rukas (April 3–8, 2009	No
612	DTX746	Dish Network Terminates Retailers dated October 3, 2008	N/A
731	DTX750	Email from JSR to R. Musso (November 6, 2011)	No
672	DTX753	Letter from Goodale to Musso, undated	N/A
714	DTX756 (PX 256)	Letter from R. Goodale to R. Musso with R. Musso's typed comments	No

Appendix Cite	Trial Exhibit	Description of Cited Support	Director Defendants Involved in Conversation?
731	DTX821	Email Chain between B. Neylon, R. Musso, R. Origer, B. Werner, M. Mills (February 9, 2007)	No
587	DTX825	Email from T. Pyle to R. Musso, T. Diroberto (February 20, 2007)	No
597	DTX947 (PX570)	Facts Blast dated October 10, 2007	N/A
107	DTX959	Retailer Application from Dish TV Now	N/A
624	DTX964	Outbound Campaign Request Form dated November 16, 2009	N/A
732	DTX972	Email Chain between S. Tafur, J. Montano, G. Caldwell, T. Head (June 30–July 1, 2010)	No
658	DTX1015	Letter to L. Hsiao from L. Mazzuchetti dated November 28, 2012	No
666	DTX1085	Dish Network Form 8-K dated August 8, 2016	N/A
667	DTX1096	Revised Responsive Expert Report of Rebecca Kirk Fair dated September 15, 2016	N/A
668	DTX1097	[Proposed] Judgment and Order for Permanent Injunction dated October 3, 2016	N/A
669	DTX1109	Dish Form 10-K dated February 22, 2017	N/A

<u>Table B:</u>

Krakauer v. DISH

<u>Documents Relied Upon by the North Carolina Court in Issuing Treble Damages Opinion</u>

Krakauer v. DISH

Documents Relied Upon by the North Carolina Court in Issuing Treble Damages Opinion[1]

Appendix Cite	Trial Exhibit	Description of Cited Support	Board Members?
687	JX1	EchoStar Retailer Agreement with Satellite Systems Network on December 31, 2006	N/A
698	JX2	EchoStar Retailer Agreement with Satellite Systems Network on December 31, 2010	N/A
694	PX8	Email Chain between[2] S. Snyder, S. Shaffer, TCPA@echostar.com, R. Musso (April 30-May 4, 2010)	No
689	PX15	SSN Retailer File Complete Copy (May 24, 2007)	No
692	PX22	2/1/09 Outbound Sales Script	N/A
695	PX52	Letter from R. Musso to[3] A. Tehranchi (May 12, 2010)	No
680	PX55	Assurance of Voluntary Compliance	No
693	PX 70	Email Chain between G. Caldwell, R. Musso, K. Sponsler, T. Muenchen (Oct. 12, 2009)	No

[1] This chart excludes PX 278, which was a stipulation between the parties to remove calls from the claims.

[2] "Between" includes all persons in the sent, to, and cc lines of an email chain.

[3] "To" includes all persons in the "to" and "cc" lines of an email.

Appendix Cite	Trial Exhibit	Description of Cited Support	Board Members?
699	PX89	PowerPoint: Indirect Sales (June 6, 2011)	N/A
684	PX186	Judgment by Consent and Stipulated Permanent Injunction between Vitana Financial Group, Inc. and North Carolina (March 21, 2005)	No
683	PX191	Florida Department of Agriculture and Consumer Services: Department Press Release on November 4, 2004	N/A
685	PX194	Email Chain between A. Ahmed, S. Novak, M. Oberbillig, M. Mills, S. Keller, K. Miller, D. Steele, J. Gowland, G. Hewitt, A. Conley, M. Sweeney (Sept. 23-26, 2005)	No
681	PX503	Email Chain between M. Oberbillig, B. Werner, M. Ahmed, M. Mills, M. Oberbillig, J. Spreitzer, E. Miller, M. Hinson, and D. Novotny (July 29, 2004)	No
682	PX656	Email Chain between M. Oberbillig, B. Werner, J. Spreitzer to A. Ahmed, Jim DeFranco (Sept. 15, 2004)	DeFranco
696	PX899	Email Chain between R. Musso, Rehan@yourdish.tv, S. Snyder, sophie@yourdish.tv, Vendor Inquiries, T. Rukas (May 13-17, 2010)	No
700	PX2008	Flow Chart for DNC calls	N/A

Appendix Cite	Trial Exhibit	Description of Cited Support	Board Members?
	PX2050	United States v. Dish Network, LLC, 75 F. Supp. 3d 942 (C.D. Ill. 2014).	N/A
688	DX1	Facts Blast on April 16, 2007	N/A
686	DX2	Facts Blast	N/A
690	DX3	EchoStar Script presented at Retail Training and Communications (December 17, 2007)	No
691	DX5	Important Notice: PossibleNow Grace Period Ended September 30, 2008! (October 10, 2008)	No
697	DX16	Email Chain between R. Musso, Rehan@yourdish.tv, S. Snyder, sophie@yourdish.tv, T. Rukas, Vendor Inquiries, (May 17, 2010)	No
679	DX84	EchoStar Retailer Agreement with Satellite Systems Network (March 7, 2001)	No

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J. Stephen Peek, Esq. (1758)
Robert J. Cassity, Esq. (9779)
HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, Nevada 89134
Tel: (702) 669-4600
Fax: (702) 669-4650
speek@hollandhart.com
bcassity@hollandhart.com

C. Barr Flinn (*Admitted pro hac vice*)
Emily V. Burton (*Admitted pro hac vice*)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square, 1000 North King Street
Wilmington, DE 19801
Tel: (302) 571-6600
Fax: (302) 571-1253

Attorneys for Special Litigation Committee of Nominal Defendant DISH Network Corp.

HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134
Phone: (702) 222-2500 ♦ Fax: (702) 669-4650

DISTRICT COURT

CLARK COUNTY, NEVADA

PLUMBERS LOCAL UNION NO. 519 PENSION TRUST FUND and CITY OF STERLING HEIGHTS POLICE AND FIRE RETIREMENT SYSTEM, derivatively on behalf of nominal defendant DISH NETWORK CORP., Plaintiffs, v. CHARLES W. ERGEN; JAMES DEFRANCO; CANTEY M. ERGEN; STEVEN R. GOODBARN; DAVID MOSKOWITZ; TOM A. ORTOLF; CARL E. VOGEL; GEORGE R. BROKAW; JOSEPH P. CLAYTON; and GARY S. HOWARD, Defendants, DISH NETWORK CORP., a Nevada Corp., Nominal Defendant	CASE NO.: A-17-763397-B DEPT. NO.: XI **VOLUME 1 OF APPENDIX TO THE REPORT OF THE SPECIAL LITIGATION COMMITTEE OF DISH NETWORK CORPORATION**

Ex.	Date	Description	Page No.
1	03/28/1997	EchoStar Communications Corp., Annual Report (Form 10-K)	1
2	03/17/1999	EchoStar Communications Corp., Annual Report (Form 10-K)	84
3	02/12/2004	EchoStar, SIRIUS Join Forces With RadioShack To Form Satellite Entertainment Alliance	188
4	04/09/2002	EchoStar Communications Corp., Definitive Proxy Statement (Schedule 14A)	192
5	03/04/2003	EchoStar Communications Corp., Annual Report (Form 10-K)	217
6	03/29/2004	EchoStar Communications Corp., Annual Report (Form 10-K/A)	355
7	05/11/2004	EchoStar Communications Corp., Statement of Changes in Beneficial Ownership (Form 4)	499
8	07/09/2004	Consent Decree, *In the Matter of AT&T Corporation Apparent Liability for Forfeiture*, EB-03-TC-020 (FCC)	501
9	09/07/2004	Consent Decree, *In the Matter of Primus Telecommunications, Inc.*, *Compliance with the Commission's Rules and Regulations Governing the National Do-Not-Call Registry*, EB-03-TC-162 (FCC)	510
10	03/16/2005	EchoStar Communications Corp., Annual Report (Form 10-K)	520
11	05/06/2005	EchoStar Communications Corp., Initial Statement of Beneficial Ownership (Form 3)	678
12	05/12/2005	EchoStar Communications Corp., Initial Statement of Beneficial Ownership (Form 3)	680
13	08/14/2005	Do-Not-Call List a Success . . . Even for Telemarketers	682
14	11/23/2005	Consent Decree, *In the Matter of T-Mobile USA, Inc., Compliance with the Commission's Rules and Regulations Governing the National Do-Not-Call Registry*, EB-04-TC-010 (FCC)	686
15	01/04/2006	EchoStar Communications Corp., Initial Statement of Beneficial Ownership (Form 4)	699
16	12/13/2005	Stipulated Judgment and Order for Permanent Injunction Against DirecTV, Inc., *U.S. v. DirecTV, Inc.* (C.A. No. 8:05-cv-01211) (C.D. Cal.).	701
17	2007	Stipulated Judgment and Order for Permanent Injunction at 6, *United States v. Guardian Comm., Inc.*, (C.D. Ill.) (No. 052-3166).	728
18	03/15/2006	EchoStar Communications Corp., Annual Report (Form 10-K)	757
19	03/06/2007	EchoStar Communications Corp., Annual Report (Form 10-K/A)	914
20	05/08/2007	Amended and Restated Bylaws of EchoStar Communications Corp.	1063

HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134
Phone: (702) 222-2500 ♦ Fax: (702) 669-4650

DATED this 27th day of November 2018.

By __/s/ Robert J. Cassity
J. Stephen Peek, Esq. (1758)
Robert J. Cassity, Esq. (9779)
HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, Nevada 89134

C. Barr Flinn (*Admitted pro hac vice*)
Emily V. Burton (*Admitted pro hac vice*)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square, 1000 North King Street
Wilmington, DE 19801

Attorneys for the Special Litigation Committee of Nominal Defendant DISH Network Corp.

HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134
Phone: (702) 222-2500 ◆ Fax: (702) 669-4650

HOLLAND & HART LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134
Phone: (702) 222-2500 ♦ Fax: (702) 669-4650

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of November 2018, a true and correct copy of the foregoing **VOLUME 1 of APPENDIX TO THE REPORT OF THE SPECIAL LITIGATION COMMITTEE OF DISH NETWORK CORPORATION** was served by the following method(s):

☒ Electronic: by submitting electronically for filing and/or service with the Eighth Judicial District Court's e-filing system and served on counsel electronically in accordance with the E-service list to the following email addresses:

David C. O'Mara, Esq.
THE O'MARA LAW FIRM, PC.
311 East Liberty Street
Reno, NV 89501

Travis E. Downs, III, Esq.
Benny C. Goodman III, Esq.
Erik W. Luedeke, Esq.
Timothy Z. Lacomb, Esq.
ROBBINS GELLER RUDMAN & DOWD, LLP
655 West Broadway, Suite 1900
San Diego, CA 92101-8498

Howard S. Susskind, Esq.
SUGARMAN & SUSSKIND
100 Miracle Mile, Suite 300
Coral Gables, FL 33134

Attorneys for Plaintiff Plumbers Local Union No. 519 Pension Trust Fund

Mark E. Ferrario, Esq.
Chris Miltenberger, Esq.
GREENBERG TRAURIG LLP
10845 Griffith Peak Drive, Ste 600
Las Vegas, NV 89135
Attorneys for Nominal Defendants DISH Network Corp.

J. Randall Jones, Esq.
KEMP, JONES & COULTHARD, LLP
3800 Howard Hughes Pkwy, 17th Floor
Las Vegas, NV 89169

Brian T. Frawley, Esq.
Maya Krugman, Esq.
Yevgeniy Zilberman, Esq.
SULLIVAN & CROMWELL LLP
125 Broad Street
New York, NY 10004

Attorneys for Defendants

By: _/s/ Valerie Larsen____________________
An Employee of Holland & Hart, LLP

EXHIBIT 1

EXHIBIT 1

==

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 1996

OR

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

For the transition period from _______________ to ________________.

Commission file number: 0-26176

ECHOSTAR COMMUNICATIONS 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.)
90 INVERNESS CIRCLE EAST ENGLEWOOD, COLORADO	80112
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 799-8222

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

Securities registered pursuant to Section 12(g) of the Act:
Class A Common Stock, $0.01 par value

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 [ ]

INDICATE BY CHECK MARK IF DISCLOSURE OF DELINQUENT FILERS PURSUANT TO ITEM 405 OF REGULATION S-K IS NOT CONTAINED HEREIN, AND WILL NOT BE CONTAINED, TO THE BEST OF REGISTRANT'S KNOWLEDGE, IN DEFINITIVE PROXY OR INFORMATION STATEMENTS INCORPORATED BY REFERENCE IN PART III OF THIS FORM 10-K OR ANY AMENDMENT TO THIS FORM 10-K. [X]

As of March 17, 1997, the aggregate market value of Class A Common Stock held by non-affiliates* of the Registrant approximated $147.0 million based upon the closing price of the Class A Common Stock as reported on the Nasdaq National Market as of the close of business on that date.

As of March 17, 1997, the Registrant's outstanding voting stock consisted of 11,768,276 shares of Class A Common Stock, 29,804,401 shares of Class B Common Stock, and 1,616,681 shares of 8% Series A Cumulative Preferred Stock, each $0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this Form 10-K by reference:

Portions of the Registrant's definitive Proxy Statement to be filed in connection with the Annual Meeting of Shareholders of Registrant to be held June 9, 1997 are incorporated by reference in Part III herein.

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* Without acknowledging that any individual director or executive officer of the Company is an affiliate, the shares over which they have voting control have been included as owned by affiliates solely for purposes of this computation.

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TABLE OF CONTENTS

PART IV

PART I

ITEM 1. BUSINESS

ALL STATEMENTS CONTAINED HEREIN, AS WELL AS STATEMENTS MADE IN PRESS RELEASES AND ORAL STATEMENTS THAT MAY BE MADE BY THE COMPANY OR BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY ACTING ON THE COMPANY'S BEHALF, THAT ARE NOT STATEMENTS OF HISTORICAL FACT, CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE THE ACTUAL RESULTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM THE HISTORICAL RESULTS OF OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. AMONG THE FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY ARE THE FOLLOWING: THE AVAILABILITY OF SUFFICIENT CAPITAL ON SATISFACTORY TERMS TO FINANCE THE COMPANY'S BUSINESS PLAN; INCREASED COMPETITION FROM CABLE, DIRECT BROADCAST SATELLITE ("DBS"), OTHER SATELLITE SYSTEM OPERATORS, AND OTHER PROVIDERS OF SUBSCRIPTION TELEVISION SERVICES; THE INTRODUCTION OF NEW TECHNOLOGIES AND COMPETITORS INTO THE SUBSCRIPTION TELEVISION BUSINESS; INCREASED SUBSCRIBER ACQUISITION COSTS AND SUBSCRIBER PROMOTION SUBSIDIES; THE ABILITY OF THE COMPANY TO OBTAIN NECESSARY SHAREHOLDER AND BOND-HOLDER APPROVAL OF ANY STRATEGIC TRANSACTIONS, INCLUDING THE ASKYB TRANSACTION (AS DEFINED HEREIN); THE ABILITY OF THE COMPANY TO OBTAIN NECESSARY AUTHORIZATIONS FROM THE FEDERAL COMMUNICATIONS COMMISSION ("FCC"); GENERAL BUSINESS AND ECONOMIC CONDITIONS AND OTHER RISK FACTORS DESCRIBED FROM TIME TO TIME IN THE COMPANY'S REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"). IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "PLANS," "ANTICIPATES," OR "INTENDS" TO BE UNCERTAIN AND FORWARD-LOOKING. ALL CAUTIONARY STATEMENTS MADE HEREIN SHOULD BE READ AS BEING APPLICABLE TO ALL RELATED FORWARD-LOOKING STATEMENTS WHEREVER THEY APPEAR. IN THIS CONNECTION, INVESTORS SHOULD CONSIDER THE RISKS DESCRIBED HEREIN.

GENERAL

EchoStar Communications Corporation ("ECC"), together with its subsidiaries ("EchoStar" or the "Company"), currently is one of only three DBS companies in the United States with the capacity to provide comprehensive nationwide DBS programming service. EchoStar's DBS service (the "DISH Network-SM-") commenced operations in March 1996 after the successful launch of its first satellite ("EchoStar I") in December 1995. EchoStar launched its second satellite ("EchoStar II") on September 10, 1996. EchoStar II significantly increased the channel capacity and programming offerings of the DISH Network-SM- when it became fully operational in November 1996. EchoStar provides approximately 120 channels of near laser disc quality digital video programming and over 30 channels of CD quality audio programming to the entire continental United States ("CONUS"). In addition to its DISH Network-SM- business, EchoStar is engaged in the design, manufacture, distribution and installation of various satellite direct to home ("DTH") products, domestic distribution of DTH programming, and consumer financing of EchoStar's domestic DISH Network-SM- and DTH products and programming services. EchoStar had approximately 350,000 subscribers to DISH Network-SM- programming as of December 31, 1996.

As more fully described herein (see - Strategic Alliance), on February 24, 1997, EchoStar announced the formation of a DBS alliance (the "ASkyB

Transaction") with The News Corporation Limited ("News"). Pursuant to a binding letter agreement, American Sky Broadcasting, LLC, an entity controlled by News ("ASKyB"), will contribute to EchoStar, or to an entity in which EchoStar would have an equity interest, or make available for EchoStar's use, cash, satellites and other DBS assets. These assets are expected to have a total value of approximately $1.7 billion, including an FCC license purchased during 1996 for approximately $682.5 million. In return, ASkyB will acquire an approximate 50% equity interest in EchoStar. As a result of its contributions to ASkyB, MCI Communications Corporation ("MCI") will have an approximate 19.9% interest in ASkyB. Four DBS satellites are currently under construction for use by ASkyB. ASkyB also is constructing a digital broadcast center in Gilbert, Arizona, which, upon completion, will provide EchoStar with fully redundant digital broadcast center operations. Assuming consummation of the ASkyB Transaction, EchoStar's business plan would contemplate the eventual deployment of a total of seven DBS satellites. The Company anticipates that more than 200 channels of digital video and audio programming would be available for purchase by most continental U.S. television households. The Company is planning, subject to obtaining necessary regulatory and other approvals, to use the remaining portion of its DBS capacity to provide local programming to major population centers within the continental United States. The eventual use of the eighth DBS satellite has not been determined.

While definitive agreements are expected to be executed in the near future, in the absence of definitive agreements, the letter agreement will continue as a binding commitment between the parties. Consummation of the ASkyB Transaction is subject only to certain regulatory and other approvals and consents. While EchoStar and News intend to consummate the ASkyB Transaction, there can be no assurance that necessary regulatory or other approvals or consents will be obtained or that the transaction will be consummated.

Certain companies principally owned and controlled by Mr. Charles W. Ergen were reorganized in 1993 into Dish, Ltd., formerly known as EchoStar Communications Corporation (together with its subsidiaries, "Dish, Ltd."). The principal reorganized entities included EchoStar Satellite Corporation ("ESC"), which holds licenses for certain DBS frequencies and is the operator of the DISH Network-SM-, and Echosphere Corporation and Houston Tracker Systems, Inc. ("HTS"), which are primarily engaged in the design, assembly, marketing and worldwide distribution of direct to home ("DTH") satellite television products. The reorganized group also includes other less significant domestic enterprises and several foreign entities involved in related activities outside the United States.

In June 1994, Dish, Ltd. completed an offering of 12 7/8% Senior Secured Discount Notes due 2004 (the "Dish Notes") and Common Stock Warrants (the "Warrants") (collectively, the "Dish Notes Offering"), resulting in net proceeds of approximately $323.3 million. Dish, Ltd. and its subsidiaries are subject to the terms and conditions of the indenture related to the Dish Notes (the "Dish Notes Indenture").

In June 1995, ECC completed an initial public offering (the "IPO") of its Class A Common Stock, resulting in net proceeds to ECC of approximately $62.9 million. To facilitate the IPO, EchoStar's principal subsidiary, Dish, Ltd., was merged with a wholly-owned subsidiary of ECC in December 1995 (the "Merger"). As a result of the Merger, all capital stock of Dish, Ltd. was automatically converted into capital stock of ECC on the basis of 0.75 shares of ECC for each share of Dish, Ltd. (the "Exchange Ratio"). All employee stock options of Dish, Ltd were also assumed by ECC, as adjusted for the Exchange Ratio. Also effective with the Merger, all outstanding Warrants for the purchase of Dish, Ltd. Class A Common Stock automatically became exercisable for shares of ECC's Class A Common Stock, as adjusted for the Exchange Ratio. As a result of the Merger, ECC owned all outstanding shares of Dish, Ltd. capital stock.

In March 1996, EchoStar Satellite Broadcasting Corporation ("ESBC"), a wholly-owned subsidiary of ECC, completed an offering (the "ESBC Notes Offering") of 13 1/8% Senior Secured Discount Notes due 2004 (the "ESBC Notes"), which resulted in net proceeds to the Company of approximately $337.0 million. In connection with the ESBC Notes Offering, EchoStar contributed all of the outstanding capital stock of Dish, Ltd. to ESBC. This transaction was accounted for as a reorganization of entities under common control whereby Dish, Ltd. was treated as the predecessor to ESBC. ESBC is subject to all, and ECC is subject to certain of, the terms and conditions of the indenture related to the ESBC Notes (the "ESBC Notes Indenture"). As a result of the above transactions, ESBC is a wholly-owned direct subsidiary of EchoStar; Dish, Ltd. is a wholly-owned direct subsidiary of ESBC. Substantially all of EchoStar's operating activities are conducted by subsidiaries of Dish, Ltd.

In December 1994, DirectSat Corporation ("DirectSat") was merged with a subsidiary of Dish, Ltd. DirectSat stockholders received an approximate 3% equity interest in Dish, Ltd. (subsequently exchanged for stock of ECC) in exchange for all of DirectSat's outstanding stock. At the time of the merger, DirectSat's principal assets were a conditional satellite construction permit and assignments for certain DBS frequencies granted by the FCC.

On January 8, 1997, EchoStar consummated the merger of one of its wholly-owned subsidiaries with Direct Broadcasting Satellite Corporation ("DBSC"). As a result of the merger, EchoStar acquired a conditional satellite construction permit and specific orbital slot assignments for additional DBS frequencies. EchoStar expects to issue a total of approximately 658,000 shares (of which approximately 592,000 shares had been issued as of March 17, 1997) of its Class A Common Stock to DBSC shareholders in exchange for the approximate 60% interest in DBSC that ECC did not already own at the time of the DBSC merger.

BUSINESS STRATEGY

EchoStar's primary business objective is to become one of the leading providers of subscription television and other satellite delivered services in the United States. EchoStar's current strategy to achieve this objective is to:

- ENTER INTO STRATEGIC ALLIANCES TO ENHANCE ECHOSTAR'S COMPETITIVE POSITION IN THE DBS MARKET.

- EXPAND THE MARKET FOR ITS SERVICES BY:

  (i) USING AGGRESSIVE SALES PROMOTIONS.
  (ii) RETRANSMITTING LOCAL BROADCAST SIGNALS TO MAJOR POPULATION CENTERS WITHIN THE CONTINENTAL UNITED STATES.
  (iii) OFFERING A VARIETY OF NICHE, FOREIGN LANGUAGE, CULTURAL, EDUCATIONAL, AND BUSINESS PROGRAMMING.
  (iv) PROVIDING SUBSCRIBERS WITH QUALITY PROGRAMMING AT COMPETITIVE PRICES.
  (v) EXPANDING THE DISTRIBUTION CHANNELS FOR ECHOSTAR RECEIVER SYSTEMS.

- DEPLOY SATELLITES AT ADDITIONAL DBS ORBITAL SLOTS TO EXPAND ECHOSTAR'S SERVICE OFFERINGS.

STRATEGIC ALLIANCE

On February 24, 1997, EchoStar and News announced that News had agreed to acquire an approximate 50% ownership interest in EchoStar. In connection therewith, ASKyB will contribute to EchoStar or an entity controlled by EchoStar, or make available for EchoStar's use, cash, satellites and other DBS assets of its ASkyB subsidiary. Four satellites are currently under construction for use by ASkyB. Three of these satellites will have 32 tansponders that will operate at approximately 120 watts per channel (switchable to 16 transponders operating at over 200 watts per channel). The fourth satellite will have eight transponders. Assuming completion of the ASKyB transaction, EchoStar anticipates that it will be able to offer more than 200 channels of digital audio and video programming to most continental U.S. television households. Currently, EchoStar provides approximately 150 channels of digital video and audio programming. The Company expects to use its expanded capacity to provide additional niche, foreign language, cultural, educational, business, sports, Pay-Per-View and other programming. The Company also is planning, subject to obtaining necessary regulatory and other approvals, to use the remaining portion of its DBS capacity to provide local programming to major population centers within the continental United States. The EchoStar/News alliance will operate under the trade name "Sky." EchoStar will continue to be headquartered in Englewood, Colorado.

Consummation of the ASkyB Transaction is subject only to certain regulatory and other approvals and consents. While EchoStar believes that the necessary regulatory or other approvals and consents will be obtained and that the ASkyB Transaction will be consummated, there can be no assurance that the Company will be successful in these efforts.

EXPAND MARKET FOR DISH NETWORK-SM- SERVICE

AGGRESSIVE SALES PROMOTIONS. The primary purposes of EchoStar promotions are to rapidly build a subscriber base, to expand retail distribution of EchoStar's products, and to build consumer awareness of the DISH Network-SM- brand. These promotions are consistent with, and emphasize, EchoStar's long-term business strategy which focuses on generating the majority of its future revenue through sales of DISH Network-SM- programming to a large subscriber base.

Since August 1996, EchoStar has introduced several marketing promotions, the most significant of which is a nationwide-marketing promotion (the "EchoStar Promotion") which allows independent retailers to offer a standard EchoStar Receiver System to consumers for a suggested retail price of $199 (as compared to the original average retail price in March 1996 of approximately $499), conditioned upon the consumer's prepaid purchase of a one-year subscription to the DISH Network's-SM- America's Top 50 CD-SM- programming package for approximately $300. Total transaction proceeds to EchoStar are less than EchoStar's cost of the equipment and programming for the initial prepaid year of DISH Network-SM- service. The excess of the total costs incurred (equipment, programming and other) over transaction proceeds is expensed upon shipment of the equipment and reflected in EchoStar's consolidated financial statements as subscriber promotion subsidies.

While promotions such as the EchoStar Promotion have significantly increased the affordability of DISH Network-SM- equipment and service for customers, such promotions have resulted in EchoStar incurring significant costs to acquire subscribers. Additionally, such promotions have had, and will continue to have, a negative impact on the Company's profit margins and cash flows. EchoStar believes such costs will be fully recouped from future DBS revenues expected to be generated from customers obtained as a result of EchoStar's various promotions, primarily because, unlike the cellular phone industry, DISH Network-SM- reception equipment cannot be utilized with competitors' DBS systems. Therefore, subscribers cannot seamlessly migrate to alternative DBS providers after the initial prepaid year of DISH Network-SM- service. Further, based on high DBS industry consumer satisfaction ratings, initial feedback from consumers and dealers, and low initial DISH Network-SM- subscriber turnover rates, EchoStar anticipates high service renewal rates leading to an expected average minimum subscriber life of at least three years.

RETRANSMISSION OF LOCAL BROADCAST SIGNALS. Historically, DBS providers have not had adequate channel capacity to retransmit local broadcast signals via satellite. As a result, DBS subscribers generally are required to use an off-air antenna or subscribe to an existing cable service to receive local programming. While there can be no assurance that EchoStar will be able to successfully implement its plans to deliver local programming, the Company believes its ability to transmit local programming via satellite into the markets from which such programming is originated may attract incremental subscribers who would not otherwise be willing to purchase satellite systems. In order to retransmit local programming into a market, EchoStar must obtain the retransmission consent of the local carrier and either compulsory statutory copyright licenses or actual copyright licenses from the holders of copyrighted programming. EchoStar intends to offer local programming in the largest U.S. television markets. Upon consummation of the ASkyB Transaction, EchoStar believes that it will have the necessary frequency capacity to enable it to provide local programming to major population centers within the continental United States. See "-- DBS and Related Services -- The Satellites."

VARIETY OF PROGRAMMING SERVICES. Assuming consummation of the ASkyB Transaction, EchoStar expects that its ability to transmit programming to the entire continental United States, coupled with its significant DBS capacity, may enable it to expand the types of programming services currently offered by the DISH Network-SM-. The Company expects that these programming services may include additional niche, foreign language, cultural, educational and business television services currently not widely offered by other providers of subscription television services. By expanding its programming services to include those services described above, EchoStar believes, but can give no assurance, that it may be able to differentiate itself from other providers of subscription television services, which may not be able to cost-effectively, or do not have the capacity to, offer similar services. The Company expects that subscribers interested in niche, foreign language, cultural, educational and business television services also might subscribe to EchoStar's core programming services, thereby increasing EchoStar's overall subscriber base.

COMPETITIVELY PRICED PROGRAMMING PACKAGES. EchoStar's low cost per potential subscriber (relative to cable providers) and significant channel capacity enable the DISH Network-SM- to offer a wide variety of programming packages at competitive price points. Management believes that after taking into account projected subscriber levels and subscriber promotional subsidies from the EchoStar Promotion and other similar promotions, EchoStar's per subscriber costs of delivery will be lower than those of its cable competitors. The DISH Network-SM- offers a variety of programming packages including popular cable television networks. The Company's America's Top 50 CD-SM- programming package, which includes 50 of the most popular "cable" channels, together with The Disney Channel-Registered Trademark- (historically a premium service), currently is priced at $24.99 per month when purchased as an annual prepaid subscription. This programming package includes a diverse range of programming including news, sports, general entertainment, movies, and family programming. The Company's America's Top 50 CD Premium Plus-SM- package, priced at an additional $10 per month, and the Company's America's Top 50 CD Deluxe Plus-SM- package, priced at an additional $20 per month, include the Company's America's Top 50 CD-SM- package combined with one and two multichannel movie services (such as HBO-Registered Trademark- or Showtime-Registered Trademark-), respectively. Each multichannel movie service includes from two to five different movie channels available for approximately the same price charged by cable operators for a single movie channel. Additional packages and combinations include superstations, network programming and regional sports offerings. The DISH Network-SM- also offers Pay-Per-View movies and niche services on an "a la carte" basis. EchoStar's Pay-Per-View strategy focuses on premier movie titles which generate substantial viewer interest.

EXPANDED DISTRIBUTION CHANNELS. EchoStar currently markets EchoStar Receiver Systems through a nationwide network of independent distribution and retail outlets that have been developed over the past 15 years, and through a limited number of consumer electronics retailers. EchoStar offers a commission program based on sales of hardware and programming that it believes is competitive with commissions programs offered by other DBS operators. EchoStar continues to seek additional mass merchandisers, direct sales organizations and consumer electronics retailers to establish expanded distribution for EchoStar Receiver Systems. EchoStar also is negotiating with certain large brand-name consumer electronics companies to manufacture and provide greater retail distribution of EchoStar Receiver Systems. No assurance can be given that any such manufacturing or distribution arrangements will be entered into at all, or on terms favorable to EchoStar.

DEPLOY SATELLITES TO EXPAND SERVICE OFFERINGS

EchoStar intends to launch additional satellites (see - Satellites) to make use of its significant DBS capacity to expand service offerings to its customers. EchoStar presently intends to launch two additional satellites, EchoStar III, in the fall of 1997, to serve the eastern half of the United States, and EchoStar IV, in the first quarter of 1998, to serve the western half of the United States. News plans to launch a total of three satellites, one in each of the third quarter of 1997, the first quarter of 1998, and the third quarter of 1998. While there can be no assurance as to successful deployment of any of these satellites, EchoStar anticipates that its additional service offerings resulting from the deployment of the satellites described above may include the provision of local programming to major population centers within the continental United States, niche (i.e., foreign language, cultural, educational, business television, etc.) programming, and increased sports programming and Pay-Per-View offerings. While there can be no assurance, additional services offered by the Company may also include new services such as the high-speed transmission of Internet data.

DBS AND RELATED SERVICES

PROGRAMMING

EchoStar now provides approximately 120 channels of near laser disc-quality digital video programming and over 30 channels of near CD-quality audio programming to the entire continental United States. The Company's America's Top 50 CD-SM- programming package is priced at $24.99 per month. Comparatively, on a national average, a similar package of cable programming costs the consumer approximately $42 per month.

The Company's America's Top 50 CD-SM- programming package includes 50 of the most popular basic and "expanded basic" cable channels. This service includes, among other offerings, such popular programming services as CNN-Registered Trademark-, ESPN-Registered Trademark-, USA Network-Registered Trademark-, The Nashville Network-Registered Trademark-, The Disney Channel-C-, broadcast superstations (e.g., WTBS and WGN), and one regional sports network (e.g., Fox Sports). The DISH Network-SM- also offers multichannel premium (i.e., movie) services, niche and cultural programming, sports programming, and Pay-Per-View services. Premium services available on the DISH Network-SM- include HBO-Registered Trademark-, Cinemax-Registered Trademark-, Showtime-Registered Trademark-, The Movie Channel-Registered Trademark-, Sundance-TM- and Flix-TM-. EchoStar's DISH Network-SM- service currently offers ten channels of Pay-Per-View programming. EchoStar's future plans include, among other things, increasing the number of Pay-Per-View channels offered to subscribers.

Although the DISH Network-SM- does not presently provide local programming via satellite, subscribers are able to receive local programming from an off-air antenna without the payment of an additional fee. Upon the successful launch of additional satellites, and assuming consummation of the ASkyB Transaction, EchoStar intends to eventually offer local programming directly via satellite to major population centers within the continental United States.

ECHOSTAR RECEIVER SYSTEMS

DISH Network-SM- programming is available to consumers in the continental U.S. who purchase or lease an EchoStar Receiver System. A typical EchoStar Receiver System includes an 18-inch satellite receiver dish, a receiver (which processes and descrambles signals for television viewing), a remote control, and related components. EchoStar Receiver Systems are available in a variety of models. Subscribers can receive local broadcast signals, either through a standard television antenna (a traditional rooftop or set-top antenna) or by subscribing to basic cable. The basic EchoStar Receiver System incorporates infrared remote control technology, an on-screen program guide and the ability to switch between DISH Network-SM- and local programming signals using the remote control. In addition to the on-screen program guide and local programming access features of the basic model, the mid-level model features UHF remote control technology (which allows the subscriber to control their EchoStar Receiver System

from up to 150 feet away through walls), and a high-speed data port. EchoStar's premium receiver system includes UHF remote control technology, a high-speed data port, enhanced on-screen program guide capabilities (including local program information and seamless integration of local and satellite channels), and on-screen caller identification capability.

The EchoStar DBS System integrates digital audio and video compression. Authorization information for subscription programming is stored on microchips placed on a credit card-sized access, or smart card. The smart card, which can easily be updated or replaced periodically at low cost, provides a simple and effective method to adjust a subscriber's level of programming services. If the receiver's smart card is authorized for a particular channel, the data is decrypted and passed on for audio and video decompression.

While EchoStar Receiver Systems are internally designed and engineered, EchoStar does not manufacture EchoStar Receiver Systems directly. Rather, EchoStar has contracted for the manufacture of EchoStar Receiver Systems with a high-volume contract electronics manufacturer. SCI Technology, Inc. ("SCI") is currently manufacturing MPEG-2 DBS receivers in quantities which EchoStar believes will be adequate to meet its expected demand for 1997. As previously described, EchoStar also is negotiating with several brand-name consumer electronics manufacturers to produce receivers for use with the DISH Network-SM-. No assurances can be provided regarding the ultimate success of such negotiations.

FINANCING

Historically, EchoStar has maintained agreements with third-party finance companies to make consumer credit available to EchoStar customers. These financing plans provide consumers the opportunity to lease or finance their EchoStar Receiver Systems, including installation costs and certain DISH Network-SM- programming packages, on competitive terms. Consumer financing provided by third parties is generally non-recourse to EchoStar. The third-party finance company that provides the program currently utilized by has notified the Company that it does not intend to renew the agreement, which expires during 1997. EchoStar is currently negotiating similar agreements with other third-party finance companies. There can be no assurance that EchoStar will be successful in these negotiations, or if successful, that any such new agreements will commence prior to the termination of the existing agreement. In the event that EchoStar is unable to enter into any new consumer credit agreements, or is unable to do so prior to the expiration of its existing agreement, growth of the DISH Network-SM- subscriber base may be adversely impacted.

During March 1997, EchoStar's wholly-owned subsidiary, DISH Network-SM- Credit Corporation ("DNCC"), began offering an internally-financed consumer lease plan to prospective DISH Network-SM- customers. This plan provides for a four-year lease term at competitive rates to qualified consumers. Initially, EchoStar plans to implement DNCC's consumer lease program on a limited basis. Additional capital will be required for EchoStar to implement the program on a larger scale. There can be no assurance additional capital will be available for the lease program on terms acceptable to EchoStar, or at all.

INSTALLATION

Currently, a majority of EchoStar Receiver System installations are performed either by third-parties or are self-installed by consumers. A subsidiary of EchoStar also offers installation services. EchoStar anticipates that demand for its installation services may increase as demand for its DISH Network-SM- service grows.

OTHER COMPONENTS OF DBS SERVICE

SUBSCRIBER MANAGEMENT. EchoStar outsources its subscriber management, billing and remittance services for DISH Network-SM- subscribers. Under the terms of the outsourcing agreement, EchoStar is provided with access to a subscriber management system maintained by the service provider. The provider facilitates the authorization of programming to the subscriber and coordinates billing and renewal functions.

CUSTOMER CARE CALL CENTER. EchoStar currently maintains call centers in Thornton, Colorado and Harrisburg, Pennsylvania. Potential and existing subscribers can call a single phone number to receive assistance for hardware, programming, installation or service. The call center in Thornton, Colorado is owned by the Company. The Pennsylvania facility is operated by a third party.

DIGITAL BROADCAST CENTER. The first step in the delivery of satellite programming to the customer is the uplink of that programming to the satellite. Uplink is the process by which signals are received from either the

programming originator or distributor and transmitted to a satellite. EchoStar's Digital Broadcast Center is located in Cheyenne, Wyoming. The Digital Broadcast Center contains fiber optic lines and downlink antennas to receive programming and other data at the center, as well as a number of large uplink antennas and other equipment necessary to modulate and demodulate the programming and data signals. The compression and encryption of the programming signals is also performed at EchoStar's Digital Broadcast Center.

CONDITIONAL ACCESS SYSTEM. EchoStar has contracted exclusively with Nagra Plus, SA for the provision of access control systems, including smart cards used with each EchoStar Receiver System. The smart cards contain the authorization codes necessary to receive DISH Network-SM- programming. The access control system is central to the security network that prevents unauthorized viewing of programming. Access control systems of other DBS providers have been commercially pirated. To date, the Company is unaware of any compromises of its access control system. While there can be no assurance that breaches of EchoStar's access control system will not occur in the future, the Company believes its access control system will adequately prevent commercially viable unauthorized access to programming. Further, the smart cards have been designed with the flexibility to completely change the access control system in the event of a security breach. In the event that such systems or products fail to operate as intended, EchoStar's business would be adversely affected if the vendor could not rapidly implement corrective measures.

COMPRESSION SYSTEM. EchoStar has entered into an agreement with a third party to provide the necessary equipment to digitize, compress and encrypt the analog signals transmitted by programmers to EchoStar's digital broadcast center. Digitized signals are then multiplexed and modulated into an MPEG-2 transport stream for transmission to EchoStar's satellites. Once a customer has ordered programming from EchoStar, an authorization code is transmitted to the customer's satellite receiver, allowing the customer to receive the programming within minutes after placing the order.

TRACKING, TELEMETRY AND CONTROL OF SATELLITES AFTER LAUNCH. Once a satellite is placed at its orbital location, ground stations control it until the end of its in-orbit lifetime. EchoStar has contracted for tracking, telemetry and control ("TT&C") services with respect to EchoStar I, EchoStar II and EchoStar III, including orbital analysis and oversight of the construction phase-related to the satellite. The agreement limits the liability of the contractor in the event it negligently performs its services under the agreement or otherwise terminates the agreement prior to the expiration of its term. It is expected that such risks will be covered by in-orbit insurance; however, no assurances can be given that such insurance can continue to be obtained on commercially reasonable terms. While TT&C services have not yet been procured for EchoStar IV, EchoStar believes that these services can be timely obtained from a number of providers.

The FCC has granted EchoStar conditional authority to use C-band frequencies for TT&C for EchoStar I, stating that the required coordination process with Canada and Mexico had been completed. However, the FCC subsequently received a communication from an official of the Ministry of Communications and Transportation of Mexico stating that EchoStar I's TT&C operations could cause unacceptable interference to Mexican satellites. Although it is highly unlikely, there can be no guarantee that such objections will not subsequently require EchoStar to relinquish the use of such C-band frequencies for TT&C purposes. The inability to control EchoStar I would result in a total loss of the satellite. Further, the FCC has granted EchoStar conditional authority to use "extended" C-band frequencies for TT&C function for EchoStar II, but only until January 1, 1999, at which time the FCC will review the suitability of those frequencies for TT&C operations. There can be no assurance that the FCC will extend the authorization to use these C-band frequencies for TT&C purposes. The inability to control EchoStar II would result in a total loss of the satellite.

DBS AND OTHER PERMITS

EchoStar's subsidiaries have been assigned 21 DBS frequencies at 119 DEG. WL, one of the three U.S. licensed orbital slots that provide full CONUS coverage. Of these frequencies, 11 are held by ESC and ten are held by DirectSat. Eleven of the 16 transponders on EchoStar I and ten of the 16 transponders on EchoStar II are being utilized to operate those frequencies.

In addition to its frequencies at 119 DEG. WL, DirectSat has been assigned 11 frequencies at 175 DEG. WL and one frequency at 110 DEG. WL. DBSC holds a conditional satellite construction permit and specific orbital slot assignments for 11 DBS frequencies at each of 61.5 DEG. WL and 175 DEG. WL. ESC has a permit for 11 unassigned western frequencies. While a firm business plan has not yet been finalized, DirectSat's, DBSC's and ESC's frequencies at

175 DEG. WL could be used to provide a high power DBS service to the western continental U.S., Hawaii and Alaska. These frequencies also could provide a satellite programming link between the United States and the Pacific Rim, if FCC and International Telecommunication Union ("ITU") coordination can be arranged and authorization in the receiving countries obtained.

Pursuant to an agreement dated July 19, 1996, by and among certain of EchoStar's subsidiaries, DBSC (collectively, the "Providers") and Dominion Video Satellite, Inc. ("Dominion"), the Providers agreed to permit Dominion to use transponders on EchoStar I, EchoStar II and EchoStar III to transmit programming. Currently, Dominion transmits programming using one full transponder on EchoStar II. Under the Dominion Agreement, DBSC will allow Dominion to use eight transponders at 61.5 DEG. W.L. on EchoStar III for a term commencing upon the successful launch of EchoStar III and (subject to certain exceptions) terminating at the end of the useful operating life of EchoStar III. At that time, Dominion will retain a right to transmit from one channel at 119 DEG. W.L. Upon commencement of the satellite usage time agreement for the transponders on EchoStar III, Dominion has agreed to allow EchoStar Satellite Corporation to use three of the original eight transponders made available by DBSC for use by Dominion. The eight transponders on EchoStar III, which EchoStar will allow Dominion to use, would not otherwise be revenue-producing because EchoStar has not been authorized by the FCC to use those transponders for its own DBS services. The use by Dominion of transponders on EchoStar III to satisfy Dominion's FCC due diligence obligations requires FCC approval. No assurance can be given that the FCC will grant this approval.

ESC's, DirectSat's and DBSC's permits are subject to continuing due diligence requirements imposed by the FCC. See "Governmental Regulation FCC Permits and Licenses." Each company's applications to extend their DBS permits have been conditionally approved by the FCC and are subject to further FCC and appellate review (or, in the case of ESC's western assignments, are still pending), but there can be no assurance that the FCC will determine in the future that ESC, DirectSat or DBSC have complied with the due diligence requirements. Failure to comply with due diligence requirements could result in the revocation of EchoStar's DBS permits.

During January 1996, the FCC held an auction for 28 frequencies at the 110 DEG. WL orbital slot and 24 frequencies at the 148 DEG. WL orbital slot. EchoStar acquired a DBS construction permit for the use of the 24 frequencies at the 148 DEG. WL orbital slot for $52.3 million. EchoStar will be required to complete construction of that satellite by December 20, 2000, and the satellite must be in operation by December 20, 2002. Upon consummation of the ASkyB Transaction previously described, MCI will make available for EchoStar's use MCI's 28 full CONUS frequencies at 110 DEG. WL, which it acquired in the FCC auction.

EchoStar has an application pending before the FCC for a two-satellite fixed service satellite ("FSS") Ka-band system and a two-satellite extended Ku-band satellite system. EchoStar has been granted a license for a two satellite FSS Ku-band system, which is conditioned on EchoStar making an additional financial showing. EchoStar also has requested a modification of its proposed Ku-band system to add C-band capabilities to one satellite. GE Americom Communications, Inc. ("GE Americom") and PrimeStar Partners, L.P. ("PrimeStar") have filed petitions for reconsideration or cancellation and petitions to deny against EchoStar's' Ku-band conditional licenses, the additional financial showing made by EchoStar, and EchoStar's C-band modification application. There can be no assurance that the FCC will consider EchoStar's additional showing to be adequate or that it will deny GE Americom's or PrimeStar's petitions. If the pending applications are granted, and EchoStar successfully constructs and launches Ku-band, extended Ku-band, and Ka-band satellites, those satellites might be used to complement the Company's DISH Network-SM- business, or for a variety of other uses. It is possible that the unique FSS Ku-band and Ka-band orbital locations requested by EchoStar and others could permit construction of satellites with sufficient power to allow reception of satellite signals by dishes with sizes comparable to DBS. All of these projects are in an early stage of development and there is no assurance that EchoStar's applications will be granted by the FCC or that, if granted, EchoStar will be able to successfully capitalize on the resulting business opportunities. All of these applications are currently being challenged by several companies with interests adverse to those of EchoStar.

An 80% owned subsidiary of EchoStar has applied for construction permits and authorizations to operate a six-satellite, low earth orbit satellite system ("Little LEO"). While primary applications for the Little LEO system are unrelated to DBS, it is possible that the system could serve as a path for wireless communication with EchoStar DBS customers, particularly for periodic polling of units for Pay-Per-View purchases and relatively rapid feedback on viewer Pay-Per-View buy rates and preferences. This project is in an early stage of development and there is no assurance that EchoStar's application will be granted by the FCC or that, if granted, EchoStar will be able to successfully capitalize on any resulting business opportunity.

SATELLITES

EchoStar I and EchoStar II are each Lockheed Martin Series 7000 satellites equipped with 16 Ku-band transponders. Each transponder is equipped with 130 Watts of power, approximately eight times the power of typical C-band transponders. EchoStar III and EchoStar IV each will be Lockheed Martin Series 2100AX satellites equipped with 32 transponders that will operate at approximately 120 watts per channel (switchable to 16 transponders operating at over 200 watts per channel). Each transponder will be capable of transmitting multiple digital video, audio and data channels. EchoStar's satellites have a minimum design life of 12 years. The majority of the purchase price for the satellites is required to be paid in progress payments, with the remainder payable in the form of non-contingent payments which are deferred until the respective satellites are in orbit (the "Deferred Payments"). The loss, damage or destruction of any EchoStar satellite as a result of military actions or acts of war, anti-satellite devices, electrostatic storm or collision with space debris would have a material adverse effect on EchoStar.

Satellites are subject to significant risks, including satellite defects, launch failure, destruction and damage that may result in incorrect orbital placement or prevent proper commercial operation. Approximately 15% of all commercial geosynchronous satellite launches have resulted in a total or constructive total loss. The failure rate varies by launch vehicle and manufacturer. A number of satellites constructed by Lockheed Martin over the past three years have experienced defects resulting in total or partial loss following launch. The type of failures experienced have varied widely. Lockheed Martin constructed EchoStar I and EchoStar II and is constructing EchoStar III and EchoStar IV. No assurances can be given that EchoStar I, EchoStar II, EchoStar III or EchoStar IV will perform according to specifications.

Launch delays could result from weather conditions or technical problems with any EchoStar satellite or any launch vehicle utilized by the launch providers for EchoStar III, EchoStar IV, or from other factors beyond EchoStar's control.

SATELLITE LAUNCHES

EchoStar has entered into a contract for launch services with Lockheed Martin Commercial Launch Services, Inc. ("Lockheed Services") for the launch of EchoStar III from Cape Canaveral Air Station, Florida in the fall of 1997, subject to delay or acceleration in certain circumstances (the "Lockheed Contract"). The Lockheed Contract provides for launch of the satellite utilizing an Atlas IIAS launch vehicle. Pursuant to the Lockheed Contract, substantially all of the price is required to be paid prior to the launch.

EchoStar has the right, in its sole discretion, to terminate the Lockheed Contract at any time subject to forfeiture of certain amounts paid to Lockheed Services. In addition, EchoStar has a right to terminate the Lockheed Contract and receive a full refund for all amounts paid to Lockheed Services if total launch delays (except certain excusable delays) caused by Lockheed Services exceed 12 months.

EchoStar has contracted with Lockheed-Khrunichev-Energia-International, Inc. ("LKE") for the launch of EchoStar IV during the first quarter of 1998 from the Baikonur Cosmodrome in the Republic of Kazakhstan, a territory of the former Soviet Union (the "LKE Contract"). EchoStar will launch EchoStar IV on a Proton K/Block DM four stage launch vehicle. Astra 1F, the first commercial launch on a Proton K/Block DM, was successfully launched on April 9, 1996 and Inmarsat 3 F2, the second such commercial launch was successfully launched on September 6, 1996. LKE now markets commercial Proton launches under a new organization called International Launch Services ("ILS"), a joint venture between LKE and Lockheed Services. ILS currently has contracts providing for the launch of at least six non-EchoStar western satellites throughout 1997. The first commercial Proton launched in 1997 is tentatively scheduled for May 24, carrying the Telstar 5 payload. ILS has a current commercial backlog of 18 satellites to be launched by the end of 1999 on Proton. In order for EchoStar IV to be launched from Kazakhstan, the satellite contractor will need to obtain a technical data exchange license and a satellite export license from the United States government. There can be no assurance those licenses can be obtained in a timely manner to avoid a launch delay. Any political or social instability, such as that recently experienced in the former Soviet block countries, could affect the cost, timing and overall advisability of utilizing LKE as a launch provider for EchoStar's satellites.

Either party may request a delay in the launch period, subject to the payment of penalties based on the length of the delay and the proximity of the request to the launch date. EchoStar has the right, in its sole discretion, to terminate the LKE Contract at any time, subject to the forfeiture of certain amounts paid to LKE. In addition, EchoStar has the right to terminate the LKE Contract and receive a full refund of all amounts paid to LKE in certain circumstances, including: (i) a launch delay caused by LKE which exceeds nine months from the last day of the original launch period; (ii) an increase in the price or change in payment or other terms necessitated by compliance with, or implementation of, a trade agreement between the United States and Russia; (iii) EchoStar's inability to obtain necessary export licenses; (iv) the failure of Proton launch vehicles; and (v) EchoStar's inability to procure launch insurance on commercially reasonable terms. In the event termination of the LKE Contract is caused by the failure of Proton launch vehicles, however, LKE would be entitled to retain up to $15.0 million, depending on the number and proximity of Proton failures to EchoStar's scheduled launch.

INSURANCE

Under the terms of the satellite contracts for EchoStar III and EchoStar IV, Lockheed Martin bears the risk of loss of the EchoStar satellites during the construction phase up to launch. At launch, title and risk of loss pass to EchoStar, at which time launch insurance becomes operative. EchoStar contracted for launch insurance coverage for EchoStar II in the amount of $219.3 million and, together with the cash segregated and reserved on its balance sheet, satisfied its insurance obligations under the Dish Notes Indenture.

The launch insurance policy for EchoStar II covered the period from launch through completion of testing and commencement of commercial operations. The policy also provides for in-orbit insurance for EchoStar II through September 9, 1997. The policy protects against losses resulting from the failure of the satellite to perform in accordance with its operational performance parameters. The Dish Notes Indenture also requires in-orbit insurance to be kept in force for EchoStar I and EchoStar II in specified amounts. EchoStar has procured the required in-orbit insurance for EchoStar I and expects to procure the required in-orbit insurance for EchoStar II, to commence contemporaneous with the expiration of the launch insurance policy. In-orbit insurance for EchoStar I and EchoStar II includes standard exclusions and is subject to annual renewal provisions. While the Company expects it will be able to renew such policies as they expire, there can be no assurance that such renewals will be at rates or terms favorable to the Company. For example, in the event EchoStar I, EchoStar II or other similar satellites experience anomalies while in orbit, the cost to renew in-orbit insurance could increase significantly.

The launch insurance policies for EchoStar III and EchoStar IV contain standard commercial satellite insurance provisions, including a material change condition, that would result in the cancellation of insurance or alter the effective rate, depending upon customary exclusions, including: (i) military or similar actions; (ii) laser, directed energy, or nuclear anti-satellite devices; (iii) insurrection and similar acts; (iv) governmental confiscation; (v) nuclear reaction or radiation contamination; and (vi) willful or intentional acts of EchoStar or its contractors. The policies also contain provisions limiting insurance for incidental and consequential damages and third-party claims against EchoStar.

The ESBC Notes Indenture requires EchoStar to obtain in-orbit insurance for EchoStar III in an amount equal to the cost to construct, launch and insure EchoStar III (in the case of in-orbit insurance with a deductible no greater than 20%). EchoStar has bound approximately $219.3 million of insurance for the launch of each of EchoStar III and EchoStar IV including in-orbit insurance until 365 days after the launch.

OTHER PRODUCTS AND RELATED SERVICES

EchoStar currently offers a broad range of products, from approximately $250 DTH systems in Europe that can receive signals from only one or two co-located satellites, to approximately $3,000 systems at retail that are capable of receiving signals from 20 or more satellites. Principal product lines include EchoStar-Registered Trademark-, HTS Premier-TM- and HTS Tracker-TM- name brands, with good, better and best options typically available for each line and each geographic reception area. EchoStar sold approximately 264,000 C-band satellite receivers worldwide in 1996. EchoStar's sales of DTH products are somewhat seasonal, with higher domestic sales normally occurring in the late summer and fall months in advance of increased consumer programming demand during the fall and winter months.

DOMESTIC

Satellite retailers have historically sold large C-band satellite receiver systems to consumers in rural areas through store fronts or small home-based businesses. The decline in the number of conventional satellite retailers in the United States, which form the core of EchoStar's distribution system, was significant during 1995 and continued during 1996 as a result of competition from the sale of DBS systems through consumer electronic outlets. Those satellite retailers who do not market DBS systems or cannot adapt to a high-volume, low-margin market, may be particularly vulnerable. However, new satellite retailers continue to enter the market, which partially offsets the aforementioned decline in the number of satellite retailers.

INTERNATIONAL

EchoStar's international product line includes a broad range of DTH and commercial satellite equipment and accessories, including satellite receivers, integrated receiver decoders, antennas, actuators, feeds and LNBs. During 1996, the equipment was distributed, primarily with the EchoStar-Registered Trademark- brand name, through EchoStar's distribution centers. EchoStar's products are tailored to each country's standard television formats. In addition,

on-screen instructions and pre-programmed channels are available in a variety of languages. EchoStar's international receivers can process C-band and Ku-band signals with both 110- and 240-volt power sources and have been designed to withstand the fluctuating power sources often found in developing countries.

The Company has entered into an agreement with ExpressVu, Inc. ("ExpressVu"), a majority owned affiliate of BEC, Inc. (Bell Canada). Pursuant to this agreement, EchoStar is assisting ExpressVu with the contruction of a digital broadcast center for use in conjunction with ExpressVu's planned DTH service and will act as a distributor of satellite receivers and related equipment for ExpressVu's planned DTH service in Canada. Among other things, EchoStar has agreed not to provide DTH service in Canada and ExpressVu has agreed not to provide DTH service, including DBS service, in the United States.

Information regarding EchoStar's operations in different geographic areas as of December 31, 1994, 1995 and 1996, and for the years then ended, is presented in Note 13 to EchoStar's consolidated financial statements.

PROGRAMMING

Since 1986, EchoStar has acquired DTH programming directly from programming providers, and packaged and distributed that programming throughout the United States to C-band system users through EchoStar's independent retailer network.

EchoStar has non-exclusive affiliation agreements for the distribution of many of the most popular programming services available from domestic satellites, including A&E-Registered Trademark-, CNN-Registered Trademark-, The Discovery Channel-Registered Trademark-, The Disney Channel-Registered Trademark-, ESPN-Registered Trademark-, HBO-Registered Trademark-, MTV-Registered Trademark-, Showtime-Registered Trademark-, TBS-TM-, TNT-TM-, USA-Registered Trademark-, national networks, broadcast superstations, and other "best of cable" programming.

C-BAND CONSUMER FINANCING

During 1996, EchoStar maintained agreements with consumer finance companies to make credit available to consumers for the purchase of new C-band DTH-related product and services. These agreements terminated in early 1997. Presently, the Company does not intend to execute any new agreements. EchoStar expects that the discontinuance of consumer financing of C-Band DTH-related products and services will negatively impact future C-band revenues (see - Management's Discussion and Analysis of Financial Condition and Results of Operations).

SALES AND MARKETING

EchoStar's marketing strategy includes national and regional broadcast and print advertising, promoting the benefits of the DISH Network-SM-. EchoStar has comprehensive dealer guides describing all aspects of the DISH Network-SM- and its integrated product lines (programming, hardware, financing and installation). These dealer guides are provided to distributors during nationwide educational seminars. EchoStar expects to continue to offer a high level of retail support and to provide comprehensive point of sale literature, product displays, demonstration kiosks and signage for retail outlets. EchoStar also provides a promotional channel as well as a programming subscription for in-store viewing. EchoStar's mobile sales and marketing team visits retail outlets on a regular basis to reinforce training and ensure point-of-sale needs are quickly fulfilled. A DISH Network-SM- merchandise catalogue is also available for distributors to add to their promotional materials.

Additionally, one channel of programming on the DISH Network-SM- provides information about additional services and promotions offered by the DISH Network-SM-. That channel is geared towards educating retailers, satellite dealers and current and potential subscribers.

EchoStar offers a commission program that it believes is competitive with that offered by other DBS operators. The program pays qualified distributors and retailers a percentage of programming revenues generated by subscribers to whom they sell DISH Network-SM- systems. Commissions are earned by distributors and retailers over an extended period.

EchoStar utilizes its existing nationwide network of independent distribution and retail stores and outlets to market and distribute DISH Network-SM- systems and programming services to its target markets. EchoStar also distributes DISH Network-SM- systems through consumer electronics outlets under its own brand name. EchoStar intends to expand into other less traditional distribution channels such as direct sales, among other things. Based on its knowledge of these distribution channels from its marketing of C-band DTH products and services domestically over the last 15 years and its marketing of DBS products in Europe and the United States, EchoStar believes it will be able to optimize the marketing of its DBS products and services to distinguish itself from other DBS suppliers.

RESEARCH AND DEVELOPMENT AND MANUFACTURING

Satellite receivers designed by EchoStar's research and development group have won numerous awards from dealers, retailers and industry trade publications. EchoStar's research and development personnel focus on shaping the EchoStar and HTS product lines to meet specific consumer needs and to compete effectively against products designed and manufactured by larger consumer electronics companies. EchoStar's quality assurance standards require all EchoStar product models to undergo extensive testing. EchoStar also sets and enforces product design and quality assurance requirements at non-EchoStar manufacturing facilities in the United States, Taiwan, Hong Kong, Korea, China, Malaysia, India and the Philippines.

COMPETITION

Each of the businesses in which EchoStar operates is highly competitive. EchoStar's existing and potential competitors include a wide range of companies offering video, audio, data, programming and entertainment services. EchoStar also faces competition from companies offering products and services that perform similar functions, including companies that offer hardwire cable television products and services, wireless cable products and services, DTH products and services, as well as DBS and other satellite programming, and companies developing new technologies. Many of EchoStar's competitors have substantially greater financial and marketing resources than EchoStar. EchoStar expects that quality and variety of programming, quality of picture and service, and cost will be the key bases of competition.

SUBSCRIPTION TELEVISION

CABLE TELEVISION. Cable television service is currently available to the vast majority of U.S. television households. The U.S. cable television industry currently serves over 60 million subscribers, representing over 60% of U.S. television households. As an established provider of subscription television services, cable television is a formidable competitor in the overall market for television households. Cable television systems generally offer 30 to 80 analog channels of video programming. Many cable television operators have either announced their intention to, or are in the process of, upgrading their distribution systems to expand their existing channel capacity for purposes of providing digital product offerings similar to those offered by DBS providers. In addition, such expanded capacity may be used to provide interactive and other new services.

Many of the largest cable systems in the United States have announced plans to offer access to telephony services through their existing cable equipment, and have entered into agreements with major telephony providers to further these efforts. In some cases, certain cable systems have actually commenced trial offerings of such services. If such trials are successful, may consumers may find cable service to be more attractive that DBS for the reception of programming.

Since reception of DBS signals requires line of sight to the satellite, it may not be possible for some households served by cable to receive DBS signals. In addition, the DISH Network-SM- is not available to households in apartment complexes or other multiple dwelling units that do not facilitate or allow the installation of EchoStar Receiver Systems. Additionally, the initial cost required to receive DISH Network-SM- programming may reduce the demand for EchoStar Receiver Systems, since EchoStar Receiver Systems must be purchased, while cable and certain of EchoStar's satellite competitors lease their equipment to the consumer with little if any initial hardware payment required.

In addition, Tele-Communications, Inc. ("TCI"), the largest cable television company in the United States, has announced that it currently intends to provide digital programming to TCI and other cable subscribers from its DBS satellite launched in March 1997. TCI's DBS satellite would allow TCI to provide at least 65 digital video channels to cable subscribers. These subscribers could maintain current cable programming service, including local programming. Through the use of a digital set top receiver system, a household subscribing to cable programming and TCI's DBS digital programming could simultaneously view digital video programming on one television and different cable programming on any number of other televisions. Currently, DISH Network-SM- subscribers must purchase multiple EchoStar Receiver Systems in order to view different programming on different televisions simultaneously. TCI's complementary DBS service could make cable a stronger competitor to the DISH Network-SM-.

OTHER DBS OPERATORS. In addition to EchoStar, several other companies have DBS authorizations and are positioned to compete with EchoStar for home satellite subscribers.

DirecTv, Inc. ("DirecTv") has channel assignments at a full CONUS orbital slot. United States Satellite Broadcasting Corporation ("USSB") owns and operates five transponders on DirecTv's first satellite and offers a programming service separate from, and complimentary to, DirecTv's service. DirecTv and USSB together offer approximately 200 channels of digital video programming. EchoStar currently offers approximately 120 channels of near laser disc-quality digital video programming. DirecTv currently offers subscribers, on an exclusive basis, professional sports programming, such as NFL Sunday Ticket-TM-. While EchoStar intends to offer similar services in the future, its current inability to provide such programming places it at a competitive disadvantage. DirecTv currently has approximately 2.5 million subscribers, approximately 1.2 million of whom subscribe to USSB programming.

AT&T Corporation ("AT&T") and DirecTv have entered into an exclusive agreement for AT&T to market and distribute DirecTv's DBS service. As part of the agreement, AT&T made an initial investment of approximately $137.5 million to acquire 2.5% of the equity of DirecTv with an option to increase its investment to up to 30% over a five-year period. This agreement provides a significant base of potential customers for the DirecTv DBS system and allows AT&T and DirecTv to offer customers a bundled package of digital entertainment and communications services. As a result, EchoStar is at a competitive disadvantage marketing to these customers. The AT&T and DirecTv agreement has increased the competition EchoStar encounters in the overall market for pay television customers. Affiliates of the National Rural Telecommunications Cooperative have acquired territories in rural areas

of the United States as distributors of DirecTV programming, thereby increasing the distribution capacity of DirecTv.

PrimeStar currently offers medium power Ku-band programming service to customers using dishes approximately three feet in diameter. PrimeStar is owned by a group of multiple-system cable operators and provides nationwide service. PrimeStar is expected to offer medium-power programming services to customers using smaller dishes (approximately two feet in diameter) during April 1997. In addition, PrimeStar is expected to have access to significant DBS capacity via TCI's DBS satellite, which is capable of providing full CONUS service. PrimeStar currently has approximately 1.8 million subscribers.

The FCC has allocated certain additional U.S. licensed DBS frequencies to DirecTv, USSB and other parties. These frequencies could provide additional capacity for existing DBS operators thereby enhancing their competitive position relative to the Company. Further, such presently unused frequencies could enable new competitors to enter the DBS market.

DirecTv, USSB and PrimeStar have instituted aggressive promotional campaigns marketing their respective DBS and Ku-band service. Their marketing efforts have focused on the breadth of popular programming and cost of service. In the case of DirecTv and USSB, their marketing efforts have been joined by AT&T, RCA, Sony Electronics, Inc., and other manufacturers which market DBS receivers and related components. Several other manufacturers have begun manufacturing such equipment, including Uniden America Corp., Toshiba America Consumer Products, Inc., and Hughes Network Systems, Inc.

Due to their substantially greater resources, earlier market entry, greater number of channels, manufacturing alliances with low-cost, high-volume manufacturers with established retail distribution, possible volume discounts for programming offerings, and, in the case of PrimeStar, relationship with cable programmers, EchoStar is currently at a competitive disadvantage to DirecTv, USSB and PrimeStar.

OTHER POTENTIAL PROVIDERS OF DBS OR SIMILAR SERVICES. During March 1996, AlphaStar Television Network which is owned by Tee-Comm Electronics, Inc. a Canadian company, began offering DTH programming in the United States on a limited basis, and intends to expand to 200 channels by the end of 1997. The service uses MPEG-2/DVB digital compression technology to receive medium power Ku-band signals via 24 to 36 inch dishes.

The FCC has indicated that it may to apply to the ITU for allocation of additional DBS orbital locations capable of providing service to the United States. Further, Canada, Mexico, and other countries have been allocated various DBS orbital locations which are capable of providing service to part or all of the continental United States. In general, non-U.S. licensed satellites are not allowed to provide domestic DBS or DTH service in the United States. However, in November 1996, the United States and Mexico signed a Protocol for cross-border DBS and DTH service, and Mexico has indicated that it will auction one or more of its DBS orbital locations later this year. In addition, the United States has indicated its willingness to enter into similar agreements with other countries in North, Central, and South America. If the United States government moves forward with these initiatives, or if other countries authorize DBS providers to use their orbital slots to serve the United States, additional competition could be created, and EchoStar's DBS authorizations could become less valuable. At this time, EchoStar cannot predict whether these or other recent developments will ultimately result in any additional service to the United States.

Additionally, it may be possible to utilize extended Ku-band spectrum and mid- and high-power FSS spectrum to serve the U.S. DTH market. A significant amount of available full CONUS spectrum exists in these bands. Further, it may be possible to utilize Ka-band spectrum for DTH satellite applications, particularly for spot beam applications.

WIRELESS CABLE. Multichannel, multipoint distribution ("wireless cable") systems typically offer 20 to 40 channels of programming, which may include local programming. Wireless cable operators currently provide an analog signal, with limited capacity and inferior image and sound quality compared to DBS. In order to upgrade their systems to implement digital transmission of high-quality audio and video signals, wireless cable operators will be required to install digital decoders in each customer's home at a cost comparable to the cost of an EchoStar Receiver System and make certain modifications to their transmission facilities. The cost of such digital upgrades will be significant and will have to be amortized over a smaller base of potential customers. Wireless cable also requires direct line of sight from the receiver to the transmission tower, which creates the potential for substantial interference from terrain, buildings and foliage in the line of sight. Wireless cable served approximately 1.0 million subscribers at the end of 1996.

TELEPHONE COMPANIES. Certain regional bell operating companies and long distance telephone companies could become significant competitors in the future, as they have expressed an interest in becoming subscription television and information providers. The Telecommunications Act of 1996 (the "1996 Act"), which was enacted in February 1996, permits telephone companies to own cable systems and provide high-power DBS service, although any telephone company desiring to become a high-power DBS broadcaster must still obtain an FCC license for an available orbital location. The 1996 Act removes barriers to entry which previously inhibited, or made it more difficult, for telephone companies to compete in the provision of video programming and information services. Several large telephone companies have announced plans to acquire or merge with existing wireline and wireless cable systems. As more telephone companies begin to provide cable programming and other information and communications services to their customers, additional significant competition for subscribers will develop. Among other things, telephone companies have an existing relationship with substantially every household in their service area, substantial economic resources, and an existing infrastructure and may be able to subsidize the delivery of programming through their position as the sole source of telephone service to the home.

VHF/UHF BROADCASTERS. Most areas of the United States are covered by traditional terrestrial VHF/UHF broadcasts that typically offer three to ten channels. These broadcasters are often low to medium power operators with a limited coverage area and provide local, network and syndicated programming. The local content nature of the programming may be important to the consumer, and VHF/UHF programming is typically free of charge. The FCC is considering an additional digital spectrum allocation to licensed broadcasters.

PRIVATE CABLE. Private cable is a multi-channel subscription television service where the programming is received by a satellite receiver and then transmitted via coaxial cable throughout private property, often multiple dwelling units ("MDUs"), without crossing public rights of way. Private cable operates under an agreement with a private landowner to service a specific MDU, commercial establishment or hotel. The FCC recently amended its rules to allow the provision of point-to-point delivery of video programming by private cable operators and other video delivery systems in the 18 Ghz bandwidth. Private cable operators compete with EchoStar for customers within the general market of consumers of subscription television services.

LOCAL MULTI-POINT DISTRIBUTION SERVICE ("LMDS"). In March 1997, the FCC announced its intention to offer two LMDS licenses, one for 1150 MHz and the other for 150 MHz, in each of 493 Basic Trading Areas ("BTAs") pursuant to an auction in the case of mutually exclusive applications. Incumbent local exchange carriers and cable operators will not be allowed to obtain in-region licenses for the larger spectrum block for three years. The LMDS auction date has not yet been set, but is expected to occur some time during 1997. The broadband 28 GHz LMDS spectrum allocation may enable LMDS providers to offer subscribers a wide variety of audio, video and interactive service options.

DTH INDUSTRY

DTH PRODUCTS. EchoStar faces competition in the sale of satellite receivers in North America from other manufacturers and distributors. EchoStar, General Instrument Corporation and Uniden America Corporation comprise the three largest competitors in the North American DTH products market (exclusive of DBS products).

Most major manufacturers of satellite receivers in North America offer a variety of models, from relatively low-priced units to more expensive receivers with a greater number of features. There are few patented components in DTH systems. Competition in the sale of DTH products occurs primarily on the basis of quality, price, service, marketing and features. EchoStar believes that it generally competes effectively in all of these areas. In recent years, EchoStar has consistently been highly rated in most of these categories by polls conducted by industry trade publications.

EchoStar also faces competition in the distribution of DTH systems from approximately 30 distributors in North America. The large number of distributors creates intense competition, primarily with respect to price, marketing and service. EchoStar responds to that competition by offering 24-hour turnaround time on repairs, same day order fulfillment, and what it believes to be one of the top satellite retailer incentive programs in the industry.

In addition, EchoStar competes against DBS technology and medium power Ku-band DTH systems. As a result of the smaller dish size, DBS and medium power Ku-band systems are more widely accepted than C-band systems, particularly in urban areas. DBS and medium power Ku-band competition have negatively affected, and will continue to negatively affect, C-band sales. However, EchoStar believes that many consumers may continue to choose to purchase C-band systems for the next several years because of the remaining orbital life of existing C-band satellites, the amount and quality of programming available, and the continuing marketing efforts by programmers and others designed to attract and retain C-band subscribers, among other factors.

Internationally, EchoStar competes against a variety of manufacturers and distributors in different countries. In certain regions, EchoStar has a small market share, while in others, such as Africa, EchoStar believes that it has a larger market share than any of its competitors. In some markets, EchoStar cannot effectively compete due to local restrictions on foreign companies and due to the necessity of using proprietary products for which EchoStar does not hold licenses.

DTH PROGRAMMING. EchoStar competes with many large DTH programming packages, some of which are affiliated with well-known, large program originators, and some of which are affiliated with cable operators. EchoStar competes by offering promotional programming packages in conjunction with its sales of DTH systems. Since a significant portion of EchoStar's programming sales are generated through DTH retailers, EchoStar also competes for retailer relationships on the basis of commission rates and quality of service offered to the retailer and its customers. In addition, the programming market faces competition from cable television as well as emerging technologies such as DBS services, wireless cable systems, and others. The largest competitors of EchoStar in programming distribution include NetLink Satellite USA, owned by TCI, SuperStar Satellite Entertainment, National Programming Service, Turner Home Satellite, Inc., HBO Direct, Inc. and Showtime Satellite Networks. These competitors have substantially greater financial resources than EchoStar, have substantially more subscribers, and are therefore able to obtain more favorable pricing from programmers than EchoStar.

DTH FINANCING AND LEASING. EchoStar currently offers financing and leasing options in conjunction with its DTH products and services. Other equipment manufacturers and distributors also offer financing to consumers who purchase their products and services. Historically, certain of EchoStar's competitors have offered consumers longer amortization periods on their loans than EchoStar has offered. Long amortization periods are popular with DTH retailers, who can then offer the consumer a lower monthly payment, or a more expensive system for the same payment. With its financing arrangements with national banks and a leasing organization, EchoStar is currently able to make available financing which it believes is competitive with that available from its competitors. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

GOVERNMENT REGULATION

GENERAL

Authorizations and permits issued by the FCC and foreign regulatory agencies performing similar functions are required for the operation of satellites and other components of the EchoStar DBS System, and the sale of satellite receivers and other EchoStar products in certain countries. In addition, as the prospective operator of a privately owned United States satellite system, EchoStar is subject to the regulatory authority of the FCC and the International Radio Regulations promulgated by the ITU. As a distributor of television programming, EchoStar is also affected by numerous laws and regulations, including the Communications Act of 1934, as amended (the "Communications Act"). EchoStar believes that it remains free to set prices and serve customers according to its business judgment, without rate regulation or the statutory obligation under Title II of the Communications Act to avoid undue discrimination among customers, but pursuant to the 1996 Act, EchoStar may be classified as a telecommunications carrier subject to Title II. While EchoStar believes that it is unlikely that such reclassification would increase substantially the regulatory burdens imposed on EchoStar or have an adverse impact on EchoStar's DBS operations, there can be no assurance in this regard. EchoStar also requires import and general destination export licenses issued by the United States Department of Commerce for the delivery of its manufactured products to overseas destinations. Finally, because EchoStar has engaged a Russian launch provider for EchoStar IV, United States export regulations apply to the delivery of the satellite and to providing related technical information to the launch provider.

While EchoStar has generally been successful to date in connection with regulatory compliance matters, there can be no assurance that EchoStar will succeed in obtaining or maintaining all requisite regulatory approvals for its operations, or that it will do so without the imposition of conditions or restrictions on EchoStar.

FCC PERMITS AND LICENSES

As the operator of a DBS system, EchoStar is subject to FCC jurisdiction and review primarily for: (i) authorization of individual satellites (i.e., meeting minimum financial, legal and technical standards) and earth stations; (ii) avoiding interference with other radio frequency emitters; (iii) complying with rules the FCC has established specifically for holders of U.S. DBS satellite authorizations and receivers; and (iv) complying with applicable provisions of the Communications Act. The FCC has granted ESC a license to cover 11 specified frequencies for EchoStar I at 119 DEG. WL. ESC also has a conditional construction permit for 11 unspecified western frequencies. EchoStar's subsidiary DirectSat, has a license to cover ten additional frequencies at the 119 DEG. WL orbital location. The FCC also has issued DirectSat a conditional permit for one frequency at 110 DEG. WL and 11 frequencies at 175 DEG. WL. DBSC holds a conditional satellite construction permit and specific orbital slot assignments for 11 DBS frequencies at each of 61.5 DEG. WL and 175 DEG. WL. Upon consummation of the ASkyB Transaction previously described, MCI will make available for EchoStar's use MCI's 28 full CONUS frequencies at 110 DEG. WL, which it acquired in the FCC auction.

EchoStar has an application pending before the FCC for a two-satellite

U.S. FSS Ka-band system and a two-satellite extended Ku-band satellite system. EchoStar has been granted a license for a two-satellite FSS Ku-band system, which is conditioned on EchoStar making an additional financial showing. There can be no assurance the FCC will consider EchoStar's additional showing to be adequate. Echostar also has requested a modification of its proposed Ku-band system to add C-band capabilities to one satellite. GE American and PrimeStar have filed petitions for reconsideration or cancellation and petitions to deny against EchoStar's Ku-band conditional licenses, the additional financial showing made by EchoStar, and EchoStar's C-band modification application. There can be no assurance that the FCC will consider EchoStar's additional showing to be adequate or that it will deny GE Americom's or PrimeStar's petitions. If the pending applications are granted, and EchoStar successfully constructs and launches Ku-band, extended Ku-band and Ka-band satellites, those satellites might be used to complement EchoStar DBS System programming, or for a variety of other uses. It is possible that the unique FSS Ku-band and Ka-band orbital locations requested by EchoStar and others could permit construction of satellites with sufficient power to allow dish sizes comparable to DBS. All of these projects are in an early stage of development and there is no assurance that EchoStar's applications will be granted by the FCC or that, if granted, EchoStar will successfully exploit the resulting business opportunities. All of these applications are currently being challenged by several companies with interests adverse to those of EchoStar.

EchoStar's FCC permits are conditioned on satisfaction of ongoing construction and related obligations. There can be no assurance that EchoStar will be able to comply with the FCC's due diligence obligations or that the FCC will determine that they have complied with such due diligence obligations. EchoStar's permits and extension requests have been and may continue to be contested in FCC proceedings and in court by Dominion, PrimeStar, Advanced, Tempo, DirecTv and others.

By an Order released January 11, 1996 in File No. 129 -SAT-EXT-95, the International Bureau of the FCC granted an extension of ESC's permit to August 15, 1996 with respect to the 119 DEG. WL orbital location. It deferred decision on ESC's request for an extension of time with respect to ESC's western assignments pending the FCC's analysis of EchoStar's 1992 due diligence showing for these assignments. By separate Order released January 11, 1996, File No. DBS-88-1, the FCC's International Bureau conditionally granted ESC launch and positioning authority for EchoStar I. ESC and DirectSat have licenses to cover their satellites at 119 DEG. WL. EchoStar and DirectSat have filed a joint request for an STA to enable them to operate EchoStar I at 118.95 DEG. WL and EchoStar II at 119.05 DEG. WL. That application has not been opposed.

While the FCC has granted EchoStar conditional authority to use C-band frequencies for TT&C functions for EchoStar I, stating that the required coordination process with Canada and Mexico has been completed, the FCC subsequently received a communication from an official of the Ministry of Communications and Transportation of Mexico stating that EchoStar I's TT&C operations could cause unacceptable interference to Mexican satellites. While EchoStar believes that it is unlikely that the FCC will subsequently require EchoStar to relinquish use of such C-band frequencies for TT&C purposes, the inability to control the satellite would result in its total loss.

Among other regulatory requirements, EchoStar's DBS systems are required to conform to the ITU Region 2 Plan for Broadcast Satellite Service ("BSS Plan"). Any operations that are not consistent with the BSS Plan (including, among other things, digital transmission) can only be authorized on a non-interference basis pending successful modification of the BSS Plan or the agreement of all affected administrations to the non-conforming operations. Accordingly, unless and until the BSS Plan is modified to include the technical parameters of a DBS applicant's operations, non-standard satellites must not cause harmful electrical interference to, and are not entitled to any protection from, interference caused by other assignments that are in conformance with the BSS Plan.

By a separate Order released January 11, 1996 in File No. 131 - -SAT-EXT-95, the International Bureau extended the construction permit of DirectSat to August 15, 1999. This grant was subject to the condition that DirectSat make significant progress toward construction and operation of its DBS system substantially in compliance with the timetable submitted pursuant to Amendment No. 7 of its satellite construction contract, dated June 17, 1995, or with a more expedited timetable. The International Bureau also urged DirectSat to expedite construction and launch of additional satellites for its DBS system. PrimeStar has filed an application for review requesting that the FCC reverse the International Bureau's decision to extend DirectSat's construction permit. By Order released on September 9, 1996, in File No. DBS-88-02/94-01M, the International Bureau granted DirectSat's request for authority to launch the EchoStar II satellite to 118.8 DEG. WL and for approval of certain modifications made to the design of that satellite. In a separate order issued on the same date in File No. 53-SAT-ML-95, the International Bureau granted DirectSat conditional authority to use C-band frequencies to perform TT&C functions for the EchoStar II satellite until January 1, 1999, subject to the condition that it cause no harmful interference to other satellites, at which time the FCC will review the suitability of those frequencies for TT&C operations. There can be no assurance that the FCC will extend the authorization to use these C-band frequencies for TT&C purposes. The inability to control EchoStar II would result in a total loss of the satellite.

By Order released December 8, 1995, DA 95-2439, in File No. 129-SAT-EXT-95, the FCC has also conditionally granted the request of DBSC for an extension of its permit to November 30, 1998 subject to the condition that the FCC may reconsider the extension and modify or cancel it if DBSC fails to progress towards construction and operation of its system in accordance with the timetable DBSC has submitted to the FCC. By Order released August 30, 1996, DA-96-1482, in File Nos. DBS 87-01, 55-SAT-AL-96, the FCC consented to the assignment of DBSC's permit to a subsidiary of EchoStar. The FCC also has declared that it will carefully monitor the semi-annual reports required to be filed by DBS permittees. Failure of EchoStar to file adequate semi-annual reports or to demonstrate progress in the construction of their DBS systems may result in cancellation of their permits.

The non-broadcast licenses which the FCC issues for an operational DBS system to use frequencies at a specified orbital location are for a term of ten years. At the expiration of the initial license term, the FCC may renew the satellite operator's license or authorize the operator to operate for a period of time on special authority, but there is no assurance that the FCC will take such actions. EchoStar also requires FCC authority to operate earth stations, including the earth stations necessary to uplink programming to its satellites.

In addition, EchoStar has been granted conditional authorization for two Ku-band FSS satellites to be located at 83 DEG. WL and 121 DEG. WL, respectively, subject to an additional financial showing and to pending petitions for reconsideration and cancellation filed by GE Americom and PrimeStar. EchoStar also has requested FCC authorization to modify its proposed Ku-band system to add C-band capabilities to one satellite. EchoStar also has applications pending with the FCC for two Ka-band FSS satellites to be located at 85 DEG. WL and 119 DEG. WL, respectively, and for two extended Ku-band FSS satellites to be located at 82 DEG. WL and 121 DEG. WL, respectively. These applications and requests for modification have been opposed by various parties. There can be no assurance that the FCC will grant any of these applications or requests for modifications.

The ASkyB Transaction will require FCC approval and review by the antitrust enforcement agencies. However, appropriate applications have not yet been filed and there can be no assurance that the FCC and the antitrust agencies will approve the ASkyB Transaction.

DBS RULES

Pursuant to FCC rules, the term of DBS non-broadcast licenses is ten years. In addition to all pre-existing construction and operation requirements, holders of new DBS permits must complete construction of the first satellite in their DBS system within four years of authorization and their entire systems within six years. The holders of new DBS authorizations issued on or after January 19, 1996 must also provide DBS service to Alaska and Hawaii where the service is technically feasible from the acquired orbital locations, which includes 148 DEG. WL. Those holding DBS permits as of January 16, 1996 must either provide DBS service to Hawaii or Alaska from at least one of their orbital locations or relinquish their western assignments.

Finally, a DBS licensee must begin DBS operations within five years of receipt of its license, but may make unrestricted use of the spectrum for non-DBS purposes during that time. After the first five years, the licensee may continue to provide non-DBS service so long as at least half of its total capacity at a given orbital location is used each day for DBS service. EchoStar will be required to have a DBS satellite construction contract in place by December 1997 as a result of its purchases of the permit for 24 frequencies at the 148 DEG. WL orbital location. Further, completion of the construction of such DBS satellite is required by December 2000, and such satellite must be in operation by December 2002.

PENDING APPEALS

Several parties, including EchoStar, DBSC and DirectSat, have petitioned the U.S. Court of Appeals for the D.C. Circuit to review on a variety of grounds the FCC's Report & Order which determined to auction frequencies at 110 DEG. WL and 148 DEG. WL. Several other parties also appealed a related Order where the FCC reclaimed the channels that were auctioned from another DBS permittee, Advanced, for failing to construct its satellites in a timely manner. The Court has affirmed the FCC Order reclaiming channels at 110 DEG. WL and 148 DEG. WL and the U.S. Supreme Court has denied the petition for certiorari. Review of the Report & Order requiring the auction of the frequencies at the 110 DEG. WL and 148 DEG. WL orbital locations may result in invalidation of the FCC Auction in whole or in part. In such a case, the FCC may be compelled to conduct a new auction, rescind the construction permits for the channels which were auctioned or consider alternative means of assigning available DBS channels. Oral arguments related to this matter have been heard by the U.S. Court of Appeals for the D.C. Circuit but no decision has been made.

THE 1996 ACT

The 1996 Act clarifies that the FCC has exclusive jurisdiction over DTH satellite services, and that criminal penalties may be imposed for piracy of DTH satellite services. The 1996 Act also offers DBS operators relief from private and local government-imposed restrictions on the placement of receiving antennae. In some instances, DBS operators have been unable to serve areas due to laws, zoning ordinances, homeowner association rules, or restrictive property covenants banning the installation of antennae on or near homes. The FCC recently promulgated rules designed to implement Congress' intent by prohibiting any restriction, including zoning, land use, or building regulation, or any private covenant, homeowners' association rule, or similar restriction on property within the exclusive use or control of the antenna user where the user has a direct or indirect ownership interest in the property, to the extent it impairs the installation, maintenance or use of a DBS receiving antenna that is one meter or less in diameter or diagonal measurement, except where such restriction is necessary to accomplish a clearly defined safety objective or to preserve a recognized historic district. Local governments and associations may apply to the FCC for a waiver of this rule based on local concerns of a highly specialized or unusual nature. The FCC also issued a further notice of proposed rulemaking seeking comment on whether the 1996 Act applies to restrictions on property not

within the exclusive use or control of the viewer and in which the viewer has a direct or indirect property interest. The 1996 Act also preempted local (but not state) governments from imposing taxes or fees on DTH services, including DBS. Finally, the 1996 Act required that multichannel video programming distributors such as DBS operators scramble or block channels providing indecent or sexually explicit adult programming.

THE CABLE ACT

In addition to regulating pricing practices and competition within the franchise cable television industry, the Cable Television Consumer Protection and Competition Act of 1992 (the "Cable Act") was intended to establish and support existing and new multi-channel video services, such as wireless cable and DBS, to provide subscription television services. EchoStar has benefited from the programming access provision of the Cable Act in that it has been able to gain access to previously unavailable programming services and, in some circumstances, has obtained reduced costs for certain programming services. Any amendment to, or interpretation of, Cable Act that permits the cable companies or entities affiliated with cable companies to discriminate against competitors such as EchoStar in making programming available could adversely affect EchoStar's ability to acquire programming on a cost-effective basis. Certain of the restrictions on cable affiliated programmers will expire in 2002 unless the FCC extends such restrictions. The constitutionality of that statutory provision has been upheld by the Court of Appeals for the D.C. Circuit, and the FCC is currently conducting a rulemaking proceeding to impose such requirements. The Cable Act also requires the FCC to conduct a rulemaking that will impose public interest requirements for providing video programming on DBS licensees including, at a minimum, reasonable and non-discriminatory access to qualified candidates for office and the obligation to set aside 4-7% of the licensee's channel capacity for non-commercial programming of an educational or informational nature, in certain circumstances, at below cost rates.

While DBS operators like EchoStar currently are not subject to the "must carry" requirements of the Cable Act, the cable industry has argued that DBS operators should be subject to these requirements. In the event the "must carry" requirements of the Cable Act are revised to include DBS operators, or to the extent that new legislation of a similar nature is enacted, EchoStar's future plans to provide local programming may be adversely impacted.

SATELLITE HOME VIEWER ACT

The Satellite Home Viewer Act ("SHVA") establishes a "compulsory" copyright license that allows a DBS operator, for a statutorily-established fee, to retransmit network programming to subscribers for private home viewing so long as that retransmission is limited to those persons in unserved households. In general, an "unserved household" is one that cannot receive, through the use of a conventional outdoor rooftop antenna, a sufficient over-the-air network signal, and that has not, within 90 days prior to subscribing to the DBS service, subscribed to a cable service that provides that network signal. While the scope of the compulsory license is not certain, the U.S. Copyright Office has indicated it would not object to the filing of statements of account in connection with the provision by satellite of local network signals into the non-overlapping Grade B contour of a network affiliate.

Following consummation of the ASkyB Transaction, EchoStar intends to offer local programming to major population centers within the continental United States. In order to retransmit local programming into a market, EchoStar must obtain the retransmission consent of the local carrier. EchoStar's ability to transmit locally-produced programming via satellite into the markets from which the programming is generated may attract incremental subscribers who would not otherwise be willing to purchase satellite systems.

The Company believes that the Copyright Office's position confirms that the SHVA provides a "compulsory" copyright license permitting the Company to transmit locally-broadcast programming via satellite into the markets in which the programming was generated. However, the Copyright Office has noted that its position would not preclude private copyright holders from challenging the position of the Copyright Office in private litigation against the Company. As a result, and because the Company would like clarification with regard to overlapping Grade B contours, EchoStar intends to prepare, lobby for, and see enacted national legislation amending the SHVA, which would clarify or extend the application of the "compulsory" copyright license to satellite operators transmitting local programming into local markets. There can be no assurance that EchoStar will be successful in having such copyright legislation enacted.

EXPORT REGULATION

From time to time, EchoStar requires import licenses and general destination export licenses to receive and deliver components of DTH systems. EchoStar has contracted with LKE for the launch of EchoStar IV from the Republic of Kazakhstan, a territory of the former Soviet Union. Export licenses will be required to be obtained from

the Department of Commerce for the transport of any satellites to the Republic of Kazakhstan. Lockheed Martin will be required to obtain technical data exchange licenses from the Department of Commerce permitting the exchange between Lockheed Martin and LKE of certain information necessary to prepare the satellites for launch. No assurances can be given that the data exchange or export licenses will be granted, or that implementation of a trade agreement between the United States and Russia will not negatively affect EchoStar's ability to launch EchoStar IV. LKE has advised EchoStar, however, that, while no assurances can be given, it believes the necessary technical data and hardware export licenses can be obtained in time for the scheduled launch of EchoStar IV. There can be no assurance those licenses will be obtained in a timely manner to avoid a launch delay.

PATENTS AND TRADEMARKS

EchoStar uses a number of trademarks for its products and services, including "EchoStar-Registered Trademark-," "DISH Network-Registered Trademark-," "DISH Network-SM-," "America's Top 50 CD-SM-," and others. Certain of these trademarks are registered by EchoStar, and those trademarks that are not registered are generally protected by common law and state unfair competition laws. Although EchoStar believes that these trademarks are not essential to EchoStar's business, EchoStar has taken affirmative legal steps to protect its trademarks in the past and intends to actively protect these trademarks in the future.

EchoStar is the assignee of certain patents for products and product components manufactured and sold by EchoStar, none of which EchoStar considers to be significant to its continuing operations. In addition, EchoStar has obtained and, although no assurances can be given, expects to obtain, licenses for certain patents necessary to the manufacture and sale by EchoStar and others of DBS receivers and related components. EchoStar has been notified that certain features of the EchoStar Receiver System allegedly infringe on patents held by others, and that royalties are therefore required to be paid. EchoStar has rejected the allegations of infringement and intends to vigorously defend against any suit filed by the parties (see Item 3. Legal Proceedings).

EMPLOYEES

EchoStar had approximately 1,200 employees at December 31, 1996, of which approximately 1,100 worked in EchoStar's domestic operations and approximately 100 of which worked in EchoStar's international operations. EchoStar is not a party to any collective bargaining agreement and considers its relations with its employees to be good. EchoStar intends to hire additional personnel as required.

EXECUTIVE OFFICERS

The following sets forth, as of March 24, 1997, the name, age and offices with EchoStar of each executive officer of EchoStar, the period during which each executive officer has served as such, and each executive officer's business experience during the past five years:

Name	Age	Position
Charles W. Ergen	44	Chairman and Chief Executive Officer
James DeFranco	44	Executive Vice President and Director
Steven B. Schaver	43	Chief Operating and Financial Officer
R. Scott Zimmer	40	Vice Chairman and Director
David K. Moskowitz	38	Senior Vice President, General Counsel and Secretary

CHARLES W. ERGEN. Mr. Ergen has been Chairman of the Board of Directors and Chief Executive Officer of EchoStar since its formation and, during the past five years, has held various positions with EchoStar's subsidiaries, including President and Chief Executive Officer of Echosphere, Echonet Business Network, Inc. ("EBN") and ESC, and Director of Echosphere, Houston Tracker Systems, Inc. ("HTS"), EchoStar International Corporation ("EIC"), ESC and EBN. Mr. Ergen, along with his spouse and James DeFranco, was a co-founder of EchoStar in 1980. Commencing in March 1995, Mr. Ergen also became a director of SSE Telecom, Inc. ("SSET"), a company principally engaged in the manufacture and sale of satellite telecommunications equipment.

JAMES DEFRANCO. Mr. DeFranco became the Executive Vice President of

EchoStar in November 1996. Previously Mr. DeFranco was Vice President and a Director of EchoStar since its formation. During the past five years, Mr. DeFranco has held various positions with EchoStar's subsidiaries, including President of HTS, Echo Acceptance Corporation ("EAC") and HT Ventures, Inc. ("HTV"), Executive Vice President of ESC, Senior Vice President of Echosphere and EBN, and Director of SSI, Echosphere, HTS, EAC, EBN and HTV. Mr. DeFranco, along with Mr. Ergen and Mr. Ergen's spouse, was a co-founder of EchoStar in 1980.

R. SCOTT ZIMMER. Mr. Zimmer assumed the role of Vice Chairman of EchoStar in November 1996. Previously, Mr. Zimmer had been a Vice President and a Director of EchoStar since its formation. For the past five years, Mr. Zimmer has managed the international operations of EchoStar and its subsidiaries.

DAVID K. MOSKOWITZ. Mr. Moskowitz is the Senior Vice President, Secretary and General Counsel of EchoStar. Mr. Moskowitz joined EchoStar in March 1990. Mr. Moskowitz is responsible for all legal affairs of EchoStar and its subsidiaries.

STEVEN B. SCHAVER. Mr. Schaver was named the Chief Financial Officer of EchoStar in February 1996. Mr. Schaver also assumed the role of Chief Operating Officer in November 1996. From November 1993 to February 1996, Mr. Schaver was the Vice President of EchoStar's European and African operations. From July 1992 to November 1993, Mr. Schaver was the Director of Sales and Marketing for EchoStar's largest Spanish customer, Internacional de Telecomunicaciones, S.A. in Madrid, Spain. Prior to July 1992 and since joining EchoStar in 1984, he has held various positions with subsidiaries of EchoStar, including Vice President of European operations. Prior to joining EchoStar Mr. Schaver was a banking officer with Continental Illinois National Bank.

During March 1997, Mr. Carl E. Vogel, formerly the President of EchoStar, tendered his resignation.

There are no family relationships among the executive officers and directors of EchoStar or arrangements or understandings between any executive officer and any other person pursuant to which any executive officer was selected as such. Pursuant to the Bylaws of EchoStar, executive officers serve at the pleasure of the Board of Directors. Executive officers of EchoStar are elected annually to serve until their respective successors are elected and qualified.

Assuming consummation of the ASkyB Transaction, K. Rupert Murdoch, 66, will become Chairman of EchoStar. Mr. Murdoch has been Chairman of the Board of Directors of News since August 1991. Mr. Murdoch has also been the Executive Director and Chief Executive of News since 1979. Additionally, Mr. Murdoch has been a Director of News International plc, News' principal subsidiary in the United Kingdom since 1969 and has been a

Director of News America Holdings Incorporated ("NAHI"), News' principal subsidiary in the United States, since 1973. Through December 31, 1996, Mr. Murdoch was also the Chairman, Chief Executive Officer and President of NAHI. Mr. Murdoch has also held various other executive positions within the News organization.

Assuming consummation of the ASkyB Transaction, Paul F. Haggerty, 37, will become Chief Financial Officer of EchoStar. Mr. Haggerty has served as the Senior Vice President and Chief Financial Officer of ASkyB since April 1996. Mr. Haggerty served as Senior Vice President and Deputy Financial Officer for News since 1990. Mr. Haggerty has been with News since 1984.

ITEM 2. PROPERTIES

EchoStar owns its corporate headquarters, its Digital Broadcast Center in Cheyenne, Wyoming, its customer call center in Thornton, Colorado, and office/warehouse facilities in three additional locations. The following table sets forth certain information concerning EchoStar's properties.

DESCRIPTION/USE	LOCATION	APPROXIMATE SQUARE FOOTAGE	OWNED OR LEASED
Corporate Headquarters and Warehouse Distribution Center	Englewood, Colorado	155,000	Owned
Office and Distribution Center	Sacramento, California	78,500	Owned
Digital Broadcast Center	Cheyenne, Wyoming	55,000	Owned
Customer Call Center	Thornton, Colorado	55,000	Owned
European Headquarters and Warehouse	Almelo, The Netherlands	53,800	Owned
Warehouse Facility	Denver, Colorado	40,000	Owned
Office and Distribution Center	Bensenville, Illinois	19,000	Leased
Office and Distribution Center	Miami, Florida	16,500	Leased
Office and Distribution Center	Norcross, Georgia	16,000	Leased
Office and Distribution Center	Columbia, Maryland	17,600	Leased
Office and Distribution Center	Dallas, Texas	11,200	Leased
Office and Distribution Center	Phoenix, Arizona	10,000	Leased
Asian Distribution Center	Singapore	7,000	Leased
Office	Madrid, Spain	2,100	Leased
Asian Headquarters	Singapore	1,900	Leased
Office	Bombay, India	1,200	Leased
Office	Beijing, China	1,000	Leased
Office	Bangalore, India	1,200	Leased

ITEM 3. LEGAL PROCEEDINGS

On July 29, 1996, EAC, DNCC, ESC and Echosphere Corporation (collectively, "EchoStar Credit"), filed a civil action against Associates Investment Corporation ("Associates") which is currently pending in the United States District Court in the District of Colorado. EchoStar Credit alleges that Associates, among other things, breached its contract with EchoStar Credit pursuant to which Associates agreed to finance the purchase of EchoStar Receiver Systems by consumers. EchoStar Credit alleges that Associates' refusal to finance certain prospective consumers has resulted in the loss of prospective customers to EchoStar's competitors. In addition, EchoStar Credit alleges that the loss of sales due to Associate's action forced EchoStar to lower the price on its products. Associate's filed counterclaims against EAC for fraud and breach of contract. Associates seeks approximately $10.0 million by way of its counterclaims. EAC intends to vigorously defend against such counterclaims. A trial date has not yet been set. It is too early in the litigation to make an assessment of the probable outcome.

On September 26, 1996, ESC filed suit against Sagem, S.A., ("Sagem") a French corporation, in connection with a manufacturing agreement entered into in April 1995. Sagem, Inc., a wholly owned subsidiary of Sagem, was added as a party to the litigation in a subsequent amendment. Under the agreements between the parties, Sagem and Sagem, Inc. were to provide 560,000 digital satellite receivers to ESC throughout 1995 and 1996. Sagem and Sagem, Inc.

failed to deliver any production receivers to ESC. ESC thereafter terminated the agreements between the parties. ESC brought claims against Sagem and Sagem, Inc. for breach of contract and declaratory relief. ESC seeks return of a $10.0 million down payment made to Sagem, $15.0 million placed in escrow with Bank of America, a $373,000 prepayment made to Sagem, Inc. for finished goods, contractual late fees, lost profits, interest, attorneys' fees, costs, and expenses. Sagem and Sagem, Inc. filed counterclaims seeking damages of approximately $25.0 million. ESC intends to vigorously defend the counterclaims. A trial date has not yet been set nor has discovery commenced. The Company believes, but can give no assurance that, ESC will be able to recover most, if not all, of the amounts deposited with Sagem and held in escrow.

Certain purchasers of C-band and DISH Network-SM- systems have filed actions in various state courts in Alabama naming EchoStar, EAC or Echosphere Corporation as a defendant and seeking actual and punitive damages. At least ten actions have been filed. EchoStar believes additional actions may be filed. Plaintiffs' attorneys also may attempt to certify a class and/or add additional plaintiffs to the existing actions and seek greater damages. A

trial date (March 2, 1998) has been established for only one of the aforementioned actions. The actions filed to date also name as defendants the dealer and its employees who sold the equipment and the EAC financing source, which owns the consumer loans, made to the purchasers. Four of the actions involve EAC and Household Retail Services, Inc. ("HRSI") and six claims involve EAC and Bank One Dayton, N.A. EchoStar denies liability and intends to vigorously defend against the claims, which include allegations of fraud and lending law violations. While the actual damages claimed are not material, EchoStar is aware that juries in Alabama have recently issued a number of verdicts awarding substantial punitive damages on actual damage claims of less than $10,000.

EAC and HRSI entered into a Merchandise Financing Agreement in 1989 (the "Merchant Agreement") pursuant to which HRSI acted as a consumer financing source for the purchase of, among other things, satellite systems distributed by Echosphere Corporation, a subsidiary of EchoStar to consumers through EAC dealers. HRSI terminated the Merchant Agreement as of December 31, 1994. During February 1995, EAC and Echosphere (the "EAC Parties") filed suit against HRSI. The case is pending in U.S. District Court in Colorado (the "HRSI Litigation"). The EAC Parties have alleged, among other things, breach of contract, breach of fiduciary duty, fraud and wanton and willful conduct by HRSI in connection with termination of the Merchant Agreement and related matters. The EAC parties are seeking damages in excess of $10 million. HRSI's counterclaims have been dismissed with prejudice. Summary judgment motions have been pending on all remaining issues since May 1996. A trial date has not been set.

On March 4, 1997, Feature Film Services ("Feature Films") filed a civil action against EchoStar in the U.S. District Court in the District of Chicago. Feature Films alleges that EchoStar has infringed against one of its patents. EchoStar believes that strong defenses against these claims are available and intends to vigorously defend against such claims. While no assurance can be given, EchoStar believes that indemnification from a vendor may be available in the event of an unfavorable outcome, and that a licensing agreement could be reached with Feature Films at reasonable terms.

EchoStar is a party to certain other legal proceedings arising in the ordinary course of its business. EchoStar does not believe that any of these proceedings will have a material adverse affect on EchoStar's financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No items were submitted to a vote of security holders of EchoStar during the fourth quarter of 1996.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock is quoted on the Nasdaq Stock Market under the symbol "DISH." Prior to June 21, 1995, there was no established trading market for the Company's Class A Common Stock. The high and low closing sale prices of the Common Stock for 1995 and 1996 on the Nasdaq Stock Market (as reported by Nasdaq) are set forth below:

1995	High	Low
Second Quarter (beginning June 21, 1995)	17	14 3/4
Third Quarter	17	13 1/2
Fourth Quarter	24 1/4	12 3/4
1996		
First Quarter	38 3/4	21 9/16
Second Quarter	35 3/4	27 3/4
Third Quarter	28 1/2	24
Fourth Quarter	32 1/4	23 3/4

As of March 17, 1997, there were approximately 1,475 record holders of the EchoStar's Class A Common Stock, not including stockholders who beneficially own Class A Common Stock held in nominee or street name. As of March 17, 1997, all 29,804,401 outstanding shares of the Company's Class B Common Stock were held by Charles W. Ergen, EchoStar's Chief Executive Officer. There is currently no trading market for EchoStar's Class B Common Stock.

EchoStar has never declared or paid any cash dividends on any class of its common stock and does not expect to declare dividends in the foreseeable future. Payment of any future dividends will depend upon the earnings and capital requirements of EchoStar, EchoStar's debt facilities, and other factors the Board of Directors considers appropriate. EchoStar currently intends to retain its earnings, if any, to support future growth and expansion. EchoStar's ability to declare dividends is affected by covenants in its debt facilities that prohibit it from declaring dividends and EchoStar's subsidiaries from transferring funds in the form of cash dividends, loans or advances to EchoStar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Item 6. SELECTED FINANCIAL DATA

The selected consolidated financial data as of and for each period in the five year period ended December 31, 1996 have been derived from, and are qualified by reference to, EchoStar's, and the predecessor entities of EchoStar, Consolidated Financial Statements which have been audited by Arthur Andersen LLP, independent public accountants. This data should be read in conjunction with EchoStar's Consolidated Financial Statements and related Notes thereto for the three years ended December 31, 1996, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Report.

	YEARS ENDED DECEMBER 31,				
	1992	1993	1994	1995	1996
	(In thousands, except ratios, subscribers and satellite receivers sold)				
STATEMENTS OF OPERATIONS DATA:					
Revenue:					
DTH products and technical services:					
Domestic	$122,433	$152,818	$119,003	$ 93,649	$ 98,320
International	35,040	53,493	53,750	53,261	37,492
DISH Network-SM- subscription television services	--	--	--	--	37,898
DISH Network-SM- promotions - subscription television services and products	--	--	--	--	22,746
C-band programming	6,436	10,770	14,540	15,232	11,921
Loan origination and participation income	1,179	3,860	3,690	1,748	3,034
Total revenue	165,088	220,941	190,983	163,890	211,411
Expenses:					
DTH products and technical services	120,826	161,447	133,635	116,758	123,790
Subscriber promotion subsidies	--	--	--	--	33,591
DISH Network-SM- programming	--	--	--	--	19,079
C-band programming	6,225	9,378	11,670	13,520	10,510
Selling, general and administrative	25,708	30,235	30,219	38,525	90,372
Amortization of subscriber acquisition costs	--	--	--	--	15,991
Depreciation and amortization	1,043	1,677	2,243	3,114	27,423
Total expenses	153,802	202,737	177,767	171,917	320,756
Operating income (loss)	$ 11,286	$ 18,204	$ 13,216	$ (8,027)	$ (109,345)
Net income (loss)	$ 10,833	$ 20,118	$ 90	$(11,486)	$ (100,986)
Pro forma (unaudited):					
Pro forma net income (1)	$ 7,529	$ 12,272	$ --	$ --	$ --
OTHER DATA:					
EBITDA (2)	$ 12,329	$ 19,881	$ 15,459	$ (4,913)	$ (65,931)
DBS subscribers	--	--	--	--	350,000
Satellite receivers sold (in units):					
Domestic	116,000	132,000	114,000	131,000	518,000
International	85,000	203,000	289,000	331,000	239,000
Total	201,000	335,000	403,000	462,000	757,000
BALANCE SHEET DATA:					
Cash, cash equivalents and marketable investment securities (3)	$ 22,031	$ 27,232	$245,375	$137,115	$ 137,329

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Total assets	88,529	106,476	472,492	623,091	1,141,380
Long-term obligations (less current portion):					
Dish Notes	--	--	334,206	382,218	437,127
ESBC Notes	--	--	--	--	386,165
Notes payable to stockholder	2,274	14,725	--	--	--
Other long-term debt	4,876	4,702	5,393	33,444	51,428

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(1) EchoStar's subsidiaries operated under Subchapter S of the Internal Revenue Code of 1986, as amended (the "Code"), and comparable provisions of applicable state income tax laws until December 31, 1993. The amounts shown reflect net income as if EchoStar had been subject to corporate federal and state income taxes during such periods. See Note 1 of Notes to EchoStar's Consolidated Financial Statements.

(2) Earnings (loss) before interest, taxes, depreciation and amortization (including amortization of subscriber acquisition costs of $15,991). "EBITDA" is a commonly used measure of performance in the telecommunications industry. However, EBITDA does not purport to represent cash used by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

(3) Includes Restricted Cash and Marketable Investment Securities.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

ALL STATEMENTS CONTAINED HEREIN, AS WELL AS STATEMENTS MADE IN PRESS RELEASES AND ORAL STATEMENTS THAT MAY BE MADE BY THE COMPANY OR BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY ACTING ON THE COMPANY'S BEHALF, THAT ARE NOT STATEMENTS OF HISTORICAL FACT, CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE THE ACTUAL RESULTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM THE HISTORICAL RESULTS OF OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. AMONG THE FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY ARE THE FOLLOWING: THE AVAILABILITY OF SUFFICIENT CAPITAL ON SATISFACTORY TERMS TO FINANCE THE COMPANY'S BUSINESS PLAN; INCREASED COMPETITION FROM CABLE, DBS, OTHER SATELLITE SYSTEM OPERATORS, AND OTHER PROVIDERS OF SUBSCRIPTION TELEVISION SERVICES; THE INTRODUCTION OF NEW TECHNOLOGIES AND COMPETITORS INTO THE SUBSCRIPTION TELEVISION BUSINESS; INCREASED SUBSCRIBER ACQUISITION COSTS AND SUBSCRIBER PROMOTION SUBSIDIES; THE ABILITY OF THE COMPANY TO OBTAIN NECESSARY SHAREHOLDER AND BOND-HOLDER APPROVAL OF ANY STRATEGIC TRANSACTIONS, INCLUDING THE ASKYB TRANSACTION (AS DEFINED HEREIN); THE ABILITY OF THE COMPANY TO OBTAIN NECESSARY AUTHORIZATIONS FROM THE FCC; GENERAL BUSINESS AND ECONOMIC CONDITIONS AND OTHER RISK FACTORS DESCRIBED FROM TIME TO TIME IN THE COMPANY'S REPORTS FILED WITH THE SEC. IN ADDITION TO STATEMENTS, WHICH EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS LABELED WITH THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "PLANS," " ANTICIPATES," OR "INTENDS" TO BE UNCERTAIN AND FORWARD-LOOKING. ALL CAUTIONARY STATEMENTS MADE HEREIN SHOULD BE READ AS BEING APPLICABLE TO ALL RELATED FORWARD-LOOKING STATEMENTS WHEREVER THEY APPEAR. IN THIS CONNECTION, INVESTORS SHOULD CONSIDER THE RISKS DESCRIBED HEREIN.

OVERVIEW

EchoStar currently operates four related businesses: (i) operation of the DISH Network-SM- and the EchoStar DBS System; (ii) design, manufacture, marketing, installation and distribution of various DTH products worldwide (including EchoStar Receiver Systems and C-band systems); (iii) domestic distribution of DTH programming services; and (iv) consumer financing of EchoStar's domestic products and programming services. During March 1996 EchoStar began broadcasting and selling programming packages available from the DISH Network-SM-. EchoStar expects to derive its future revenue principally from periodic subscription fees for DISH Network-SM- programming and, to a lesser extent, from the sale of DBS equipment. The growth of DBS service and equipment sales has had, and will continue to have, a material negative impact on EchoStar's domestic sales of C-band DTH products. However, during the year ended December 31, 1996, such negative impact was more than offset by sales of EchoStar Receiver Systems. EchoStar expects the decline in its sales of domestic C-band DTH products to continue at an accelerated rate.

As more fully described herein (see - Strategic Alliance), on February 24, 1997, EchoStar announced the formation of a DBS alliance News. Pursuant to a binding letter agreement, ASkyB will contribute to EchoStar, or to an entity in which EchoStar would have an equity interest, or make available for EchoStar's use, cash, satellites and other DBS assets. These assets are expected to have a total value of approximately $1.7 billion, including an FCC license purchased during 1996 for approximately $682.5 million. In return, ASkyB will acquire an approximate 50% equity interest in EchoStar. As a result of its contributions to ASkyB, MCI will have an approximate 19.9% interest in ASkyB. Four DBS satellites are currently under construction for use by ASkyB. ASkyB also is constructing a digital broadcast center in Gilbert, Arizona, which, upon completion, will provide EchoStar with fully redundant digital broadcast center operations. Assuming consummation of the ASkyB Transaction, EchoStar's business plan would contemplate the eventual deployment of a total of seven DBS satellites. The Company anticipates that more than 200 channels of digital video and audio programming would be available for purchase by most continental U.S. television households. The Company is planning, subject to obtaining necessary regulatory and other approvals, to use the remaining portion of its DBS capacity to provide local programming to major population centers within the continental United States. The eventual use of the eighth DBS satellite has not been determined. While definitive agreements are expected to be executed in the near future, in the absence of definitive agreements, the letter

agreement will continue as a binding commitment between the parties. Consummation of the ASkyB Transaction is subject only to certain regulatory and other approvals and consents. While EchoStar and News intend to consummate the ASkyB Transaction; however, there can be no assurance that necessary regulatory or other approvals or consents will be obtained or that the transaction will be consummated.

EchoStar generally bills its customers for DISH Network-SM- programming periodically in advance and recognizes related revenues as service is provided. DISH Network-SM- revenue is a function of: (i) the number of subscribers; (ii) the mix of programming packages selected by subscribers; (iii) the rates charged subscribers; (iv) revenue from ancillary programming activities (such as Pay-Per-View); and (v) signal carriage revenue. DBS programming costs are generally based upon the number of subscribers to each programming offering.

ECHOSTAR MARKETING PROMOTIONS. Since August 1996, EchoStar has introduced several marketing promotions, the most significant of which is the EchoStar Promotion, which allows independent retailers to offer a standard EchoStar Receiver System to consumers for a suggested retail price of $199 (as compared to the original average retail price in March 1996 of approximately $499), conditioned upon the consumer's prepaid one-year subscription to the DISH Network-SM-'s America's Top 50 CD-SM- programming package for approximately $300. Total transaction proceeds to EchoStar (approximately $350) are less than its aggregate costs (equipment, programming and other) for the initial prepaid subscription period for DISH Network-SM- service. The excess of such aggregate costs over related transaction proceeds is expensed upon shipment of the equipment and reflected in the Company's consolidated statements of operations as subscriber promotion subsidies. Remaining transaction costs (excluding programming) are capitalized as subscriber acquisition costs and amortized over the initial prepaid subscription period. Programming costs are accrued and expensed as the service is provided. Excluding expected incremental revenues from premium and Pay-Per-View programming, the accounting treatment described above results in revenue recognition over the initial period of service equal to the sum of programming costs and amortization of subscriber acquisition costs.

The primary purposes of the EchoStar Promotion are to rapidly build a subscriber base, to expand retail distribution of EchoStar's products, and to build consumer awareness of the DISH Network-SM- brand. The EchoStar Promotion has significantly increased the affordability of EchoStar Receiver Systems for consumers. This promotion is consistent with, and emphasizes, EchoStar's long-term business strategy which focuses on generating the majority of its future revenue through the sale of DISH Network-SM- programming to a large subscriber base. The EchoStar Promotion has resulted in EchoStar incurring significant costs to acquire subscribers. EchoStar believes such costs will be fully recouped from future subscription (i.e., programming) revenues expected to be generated from customers obtained as a result of the EchoStar Promotion. Unlike the cellular phone industry, DISH Network-SM- reception equipment cannot be utilized with competitors' systems. Consequently, subscribers cannot seamlessly migrate to alternative DBS providers after the initial prepaid year of DISH Network-SM- service. Further, based on high DBS industry consumer satisfaction ratings, initial feedback from consumers and dealers, and low DISH Network-SM-subscriber turnover rates (less than 1.0% per month during 1996), EchoStar anticipates high service renewal rates leading to an expected average minimum subscriber life of at least three years. Furthermore, a majority of DISH Network-SM- subscribers have purchased premium and Pay-Per-View programming for incremental amounts above the prepaid minimum subscription required by the EchoStar Promotion. Such incremental revenues reduce the length of time necessary to recoup the average cost of acquiring new subscribers.

EchoStar's present marketing strategy is based on current competitive conditions, which may change; any such changes could be adverse to EchoStar. Future changes in marketing strategy may include additional promotions, including promotions geared toward further increasing the affordability to consumers of EchoStar Receiver Systems and related accessories which, among other things, could increase EchoStar's cost of acquiring new subscribers.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995

REVENUE. Total revenue for 1996 was $211.4 million, an increase of $47.5 million, or 29%, as compared to total revenue for 1995 of $163.9 million. The increase in total revenue in 1996 was primarily attributable to the introduction of EchoStar's DISH Network-SM- service during March 1996. In the future, EchoStar expects to derive its

revenue principally from DISH Network-SM- subscription television services. As of December 31, 1996, EchoStar had approximately 350,000 DISH Network-SM- subscribers.

The increase in total revenue in 1996 was partially offset by a decrease in international and domestic sales of C-band satellite receivers and equipment. The domestic and international markets for C-band DTH products continued to decline during 1996; this decline is expected to continue for the foreseeable future and had been expected by EchoStar as described below. Consistent with the increases in total revenue during 1996, EchoStar experienced a corresponding increase in trade accounts receivable at December 31, 1996. The Company expects this trend to continue as the number of DISH Network-SM- subscribers increases, and as EchoStar develops additional channels of distribution for DISH Network-SM- equipment.

Revenue from domestic sales of DTH products and technical services increased $4.7 million, or 5%, to $98.3 million during 1996. Domestically, EchoStar sold approximately 518,000 satellite receivers in 1996, an increase of 295% as compared to approximately 131,000 receivers sold in 1995. Of the total number of satellite receivers sold during 1996, approximately 474,000 were EchoStar Receiver Systems. Although there was a significant increase in the number of satellite receivers sold in 1996 as compared to 1995, overall revenue did not increase proportionately as a result of the revenue recognition policy applied to DBS satellite receivers sold under the EchoStar Promotion, combined with decreasing sales of, and lower prices charged for, C-band products. Included in the number of DTH satellite receivers sold are sales of a competitor's DBS receiver manufactured and supplied by a third-party manufacturer. Such sales, which ceased during the second quarter of 1996 coincident with the launch of DISH Network-SM- service, totaled approximately 19,000 units during 1996, as compared to 67,000 units sold in 1995. Revenues generated from the sale of competitor DBS receivers aggregated $8.0 million during 1996, compared to $34.0 million in 1995. No revenue will be generated from the sale of competitor DBS receivers in 1997.

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Revenue from international sales of DTH products for the year ended December 31, 1996 was $37.5 million, a decrease of $15.8 million, or 30%, as compared to 1995. This decrease was directly attributable to a decrease in the number of analog satellite receivers sold, combined with decreased prices on products sold. Internationally, EchoStar sold approximately 239,000 analog satellite receivers in 1996, a decrease of 28%, compared to approximately 331,000 units sold in 1995. Overall, EchoStar's international markets for analog DTH products declined in 1996 as consumer anticipation of new international digital services continued to increase. This international decline in demand for analog satellite receivers, which was expected by the Company, is similar to the decline which has occurred in the United States. To offset the anticipated decline in demand for analog satellite receivers, EchoStar has been negotiating with digital service providers to distribute their proprietary receivers in EchoStar's international markets. While EchoStar is actively pursuing these distribution opportunities, no assurance can be given that such negotiations will be successful.

C-band programming service revenue totaled $11.9 million in 1996, a decrease of $3.3 million, or 22%, compared to 1995. This decrease was primarily attributable to the industry-wide decline in demand for domestic C-band programming services. C-band programming revenue is expected to continue to decrease for the foreseeable future.

Loan origination and participation income in 1996 was $3.0 million, an increase of $1.3 million or 74%, compared to 1995. The increase in loan origination and participation income during the year ended December 31, 1996 was primarily due to an increase in the number of consumer loans and leases funded. Such increased volume was directly attributable to the introduction of DISH Network-SM- service during 1996. Historically, EchoStar has maintained agreements with third-party finance companies to make consumer credit available to EchoStar customers. These financing plans provide consumers the opportunity to lease or finance their EchoStar Receiver Systems, including installation costs and certain DISH Network-SM- programming packages, on competitive terms. Consumer financing provided by third parties is non-credit recourse to EchoStar. EchoStar currently maintains one such agreement which expires during 1997. The third-party finance company with which EchoStar maintains the above mentioned agreement has notified the Company that it does not intend to renew the agreement. EchoStar is currently negotiating similar agreements with other third-party finance companies. There can be no assurance that EchoStar will be successful in these negotiations, or if successful, that any such new agreements will commence prior to the termination of the existing agreement. In the event that EchoStar is unsuccessful in executing a new agreement with a third-party finance company during 1997, future loan origination income will be adversely affected and growth of the DISH Network-SM- subscriber base may be negatively impacted.

DTH AND DISH NETWORK-SM- EXPENSES. DTH and DISH Network-SM- expenses in 1996 aggregated $187.0 million, an increase of $56.7 million, or 44% compared to 1995. This increase is directly attributable to the introduction of DISH Network-SM- service in March 1996, partially offset by decreases in other DTH expenses. DTH products and technical services expense increased $7.0 million, or 6.0%, to $123.8 million during 1996. These expenses include the costs of EchoStar Receiver Systems and related components sold prior to commencement of the EchoStar Promotion. Subscriber promotion subsidies aggregated $33.6 million during 1996 and represent expenses associated with the EchoStar Promotion. DISH Network-SM-programming expenses totaled $19.1 million for the year ended December 31, 1996. The Company expects that DISH Network-SM-programming expenses will increase in future periods in proportion to increases in the number of DISH Network-SM-subscribers. Such expenses, relative to related revenues, will vary based on the services subscribed to by DISH Network-SM- customers, the number and types of Pay-Per-View events purchased by subscribers, and the extent to which EchoStar is able to realize volume discounts from programming providers.

C-band programming expenses totaled $10.5 million during the year ended December 31, 1996, a decrease of $3.0 million, or 22%, as compared to 1995. This decrease is consistent with the decrease in C-band programming revenue. Gross margins realized on C-band programming sales remained relatively constant. As previously described, domestic demand for C-band DTH products has continued to decrease as a result of the introduction and widespread consumer acceptance of DBS products and services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses totaled $90.4 million in 1996, an increase of $51.8 million or 135%, as compared to 1995. Such expenses as a percentage of total revenue increased to 43% in 1996 as compared to 24% in 1995. The increase in SG&A expenses was principally attributable to: (i) increased personnel expenses as a result of introduction of DISH Network-SM- service in March 1996 (EchoStar's number of employees doubled during 1996 as compared to 1995); (ii) marketing and advertising expenses associated with the launch and ongoing operation of the DISH Network-SM-; (iii) increased expenses related to the Digital Broadcast Center, which commenced operations in the third quarter of 1995; and (iv) increased expenses associated with operation of DISH Network-SM- call centers and subscription management related services. In future periods, EchoStar expects that SG&A expenses as a percentage of total revenue will decrease as subscribers are added.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. EBITDA (including amortization of subscriber acquisition costs of $16.0 million) for the year ended December 31, 1996 was a negative $65.9 million, a decrease of $61.0 million, compared to 1995. This decrease resulted from the factors affecting revenue and expenses discussed above.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense for the year ended December 31, 1996, including the amortization of subscriber acquisition costs, aggregated $43.4 million, an increase of $40.3 million, as compared to 1995. The increase in depreciation and amortization expenses resulted from depreciation expenses associated with the Digital Broadcast Center, EchoStar I and EchoStar II (placed in service during the fourth quarter of 1995, the first quarter of 1996, and the fourth quarter of 1996, respectively), and amortization of subscriber acquisition costs.

OTHER INCOME AND EXPENSE. Other expense, net totaled $46.3 million in 1996, an increase of $37.1 million, as compared to 1995. The increase in other expense in 1996 resulted primarily from an increase in interest expense associated with the issuance of the ESBC Notes. This increase in interest expense was partially offset by an increase in interest income attributable to increases in invested balances as a result of the investment of proceeds received from the issuance of the ESBC Notes. Interest capitalized relating to development of the EchoStar DBS System during 1996 was $31.8 million (compared to $25.8 million during 1995).

INCOME TAX BENEFIT. The increase in the income tax benefit of $48.9 million (from $5.7 million in 1995 to $54.7 million in 1996) principally resulted from the increase in EchoStar's loss before income taxes. EchoStar's net deferred tax assets (approximately $66.8 million at December 31, 1996) relate to temporary differences for amortization of original issue discount on the Dish and ESBC Notes, net operating loss carryforwards, and various accrued expenses which are not deductible until paid. No valuation allowance has been provided because EchoStar currently believes it is more likely than not that these deferred tax assets will ultimately be realized. If future operating results differ materially and adversely from EchoStar's current expectations, its judgment regarding the need for a valuation allowance may change.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUE. Total revenue for 1995 was $163.9 million, a decrease of $27.1 million, or 14%, as compared to total revenue for 1994 of $191.0 million. Revenue from domestic sales of DTH products for 1995 was $93.6 million, a decrease of $25.3 million, or 21%, as compared to 1994. This decrease in domestic revenues was primarily due to an expected decline of $26.9 million, or 23%, in revenue from sales of satellite receivers and related accessories, during 1995, as compared to 1994. The decrease in domestic revenues for 1995 was partially offset by $12.5 million in sales of non-proprietary descrambler modules compared to $11.0 million in 1994. The domestic market for C-band DTH products continued to decline during 1995 and this decline is expected to continue. The decline had been expected by EchoStar as described below.

EchoStar also decreased its emphasis on relatively high cost, low margin descrambler modules beginning in the second quarter of 1994.

Domestically, EchoStar sold approximately 131,000 satellite receivers in 1995, an increase of 15% as compared to approximately 114,000 receivers sold in 1994. Although there was an increase in the number of satellite receivers sold in 1995 as compared to 1994, overall revenues declined as a result of a change in product mix resulting from the introduction of lower priced DBS receivers and related accessories, and an approximate 23% reduction in the average selling price of C-band receivers. Included in the number of satellite receivers sold are those sold for a competitor's DBS system ("Competitor DBS Receivers") manufactured and supplied by a third party manufacturer ("Competing DBS Manufacturer") which totaled approximately 67,000 for 1995, as compared to 21,000 for 1994. Competitor DBS Receiver revenues were $34.0 million for 1995, as compared to $15.0 million for 1994. Competitor DBS Receiver revenues were 21% of total revenues for 1995.

Revenue from international sales of DTH products for 1995 was $53.3 million, a decrease of approximately $500,000, or 1%, as compared to 1994. The decrease for 1995 resulted principally from reduced sales to the Middle East where EchoStar's largest international DTH customer is based. This decline was partially offset by increased sales in Africa. Revenue from sales of DTH products in the Middle East suffered beginning in August 1995 as a result of restrictions implemented against imports, and may not return to historic levels even after import regulations are lifted, the timing of which cannot be predicted. Historic sales levels may not be reached because of new digital service planned for the Middle East beginning in the first quarter of 1996. Internationally, EchoStar sold approximately 331,000 satellite receivers in 1995, an increase of 15%, compared to approximately 289,000 units sold during 1994. The increase was primarily due to a continued emphasis by EchoStar on lower priced products in 1995 to meet marketplace demands. For 1995, the effects of volume increases were offset by a 17% decrease in the average selling price as compared to 1994.

In the second half of 1994 and throughout 1995, an increasing percentage of domestic DTH satellite retailers relied on attractive financing packages to generate sales. During most of 1994, certain of EchoStar's competitors offered consumer financing that retailers considered more attractive than financing offered by EchoStar. This competitive financing advantage resulted in retailers selling competing products rather than EchoStar products and was partially responsible for the decline in C-band DTH unit sales and revenue.

Commencing in 1995, EchoStar stopped receiving monthly participation payments from HRSI on its loan portfolio, contributing to a decrease in loan origination and participation income from 1994. Loan origination and participation income for 1995 was $1.7 million, a decrease of $1.9 million, or 53%, compared to 1994.

EchoStar aggressively markets its current offering of C-band DTH products by offering competitive pricing and financing in order to minimize the decline in domestic C-band DTH sales resulting from the increased popularity of "small dish" equipment. Additionally, EchoStar sold competitor DBS Receivers for reception of programming offered by other service providers. Competitor DBS Receiver sales partially offset the decline in domestic C-band sales in 1995. The decline is also expected to be offset by sales of EchoStar's proprietary DBS products commencing in 1996.

Programming revenue for 1995 was $15.2 million, an increase of $692,000, or 5%, as compared to 1994. The increase was primarily due to additional sales of programming packages through retailers and, to a lesser extent, the renewal and retention of existing customers as a result of more attractive pricing and more effective marketing. While EchoStar began to more aggressively market its services in the second quarter of 1995, the industry-wide decline in domestic C-band equipment sales is expected to result in a decline in C-band DTH programming revenues as well over

time. EchoStar believes that the decline in C-band DTH programming revenues will be fully offset by sales of EchoStar DBS programming in 1996.

DTH EXPENSES. Costs of DTH products sold were $116.8 million for 1995, a decrease of $16.9 million, or 13%, as compared to 1994. The decrease in DTH operating expenses for 1995 resulted primarily from the decrease in sales of DTH products. DTH product expenses as a percentage of DTH product revenue were 79% for 1995, as compared to 77% for 1994. The increase was principally the result of declining sales prices of C-band DTH products as described above, during 1995 as compared to 1994.

C-band programming expenses were $13.5 million for 1995, an increase of $1.9 million, or 16%, as compared to 1994. Programming expenses as a percentage of programming revenue were 89% for 1995 as compared to 80% for 1994. Programming expenses increased at a greater rate than revenues from programming principally because the prior periods included the flow through of certain volume discounts. Additionally, the C-band program packaging business is extremely competitive, which restricts the ability to pass on contracted affiliation agreement cost increases to consumers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses totaled $38.5 million for 1995, an increase of $8.3 million, or 27%, as compared to 1994. Such expenses as a percentage of total revenue increased to 24% for 1995 as compared to 16% for 1994. The change was principally the result of the reduction of revenues from domestic sales of DTH products and increased costs to support, among other things, expansion of the EchoStar DTH product installation network and administrative costs associated with development of the DISH Network-SM-. In addition, $1.1 million of compensation expense was recorded with regard to 55,000 shares of Class A Common Stock contributed by EchoStar to EchoStar's 401(k) plan.

Research and development costs totaled $5.0 million during 1995 as compared to $5.9 million during 1994. The decrease was principally due to the reduction in research necessary to provide C-band receivers to domestic and international markets. EchoStar expenses such costs as incurred and includes such costs in selling, general and administration expenses.

EBITDA. EBITDA for 1995 was a negative $4.9 million, a decrease of $20.4 million, or 132%, as compared to 1994. The decrease resulted from the factors affecting revenue and expenses discussed above.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses totaled $3.1 million during 1995, an increase of $871,000, or 39%, as compared to 1994. The overall increase primarily resulted from depreciation on assets placed in service during the third and fourth quarters of 1995.

OTHER INCOME AND EXPENSE. Other expense for 1995 was $9.2 million, a decrease of $3.5 million, or 28%, as compared to 1994. The difference in other income and expense for 1995 compared to 1994 resulted primarily from the amortization of original issue discount and deferred debt issuance costs of $23.5 million in 1995, and $20.7 million in 1994, net of capitalized interest, on the Dish Notes, which were issued on June 7, 1994. Other expense was reduced by investment income on monies deposited in an escrow account (the "1994 Escrow Account") of $8.8 million for 1995, and $6.5 million for 1994. Interest capitalized relating to development of the EchoStar DBS System for 1995 totaled $25.8 million as compared to $5.7 million for 1994.

BENEFIT FROM/PROVISION FOR INCOME TAXES. An income tax benefit of $5.7 million was recognized during 1995 as compared to the income tax provision for 1994 of $399,000. This change is principally the result of changes in components of income and expenses discussed above during 1995 and 1994, respectively. EchoStar's deferred tax assets (approximately $13.9 million at December 31, 1995) relate principally to temporary differences for amortization of original issue discount on the Dish Notes and various accrued expenses which are not deductible until paid. No valuation allowance has been provided because EchoStar currently believes it is more likely than not that these assets will be realized. If future operating results differ materially and adversely from EchoStar's current expectations, its judgment regarding the need for a valuation allowance may change.

LIQUIDITY AND CAPITAL RESOURCES

EchoStar's working capital and capital expenditure requirements were substantial during the three-year period ended December 31, 1996. Such expenditures principally resulted from the construction of EchoStar's DBS system during 1994, 1995 and 1996, and the commercial launch of DISH Network-SM- service in March 1996. Capital expenditures, including expenditures for satellite systems under construction, totaled $119.3 million, $133.6 million and $221.9 million during the years ended December 31, 1994, 1995 and 1996, respectively. Additionally, during 1996, EchoStar expended $55.4 million for DBS authorizations obtained from the FCC, principally relating to the Company's acquisition of 24 DBS frequencies at the 148 DEG. WL orbital slot. Those frequencies were acquired at the FCC's January 1996 auction of certain DBS frequencies. EchoStar anticipates that its capital expenditure and working capital requirements will be significant for the foreseeable future as its constructs, launches and deploys additional satellites in connection with its DBS business, and as it aggressively builds its DISH Network-SM- subscriber base.

During 1994, 1995 and 1996, EchoStar's capital expenditure and working capital requirements principally were funded from proceeds of the 1994 Dish Notes Offering, the 1995 IPO, and the 1996 ESBC Notes Offering. In June 1994, EchoStar issued 624,000 units consisting of $624.0 million principal amount at stated maturity of the Dish Notes and 3,744,000 Warrants (representing 2,808,000 shares of EchoStar Class A Common Stock) for aggregate net proceeds to the Company of approximately $323.3 million. In June 1995, ECC completed the IPO of 4.0 million shares of its Class A Common Stock, resulting in net proceeds to the Company of approximately $62.9 million. In March 1996, ESBC consummated the ESBC Notes Offering. In connection therewith, ESBC issued $580.0 million principal amount at stated maturity of ESBC Notes, resulting in aggregate net proceeds to the Company of approximately $337.0 million. As of December 31, 1996, substantially all of the Warrants issued in connection with the Dish Notes Offering had been exercised.

During the years ended December 31, 1995 and 1996, net cash flows used in operations totaled $20.3 million and $27.4 million, respectively. EchoStar anticipates that its working capital requirements, including its investment in subscriber acquisition costs, will increase substantially in 1997. Such working capital requirements could vary if any of the following, among other factors, occur: (i) subscriptions to DISH Network-SM- programming differ from anticipated levels; (ii) actual expenses differ from present estimates; (iii) the investment in subscriber acquisition costs increases from planned levels; or (iv) future EchoStar promotions no longer require the annual prepayment of a one-year subscription to DISH Network-SM- programming. In addition to the working capital requirements discussed above, during 1997 EchoStar expects to expend: (i) approximately $118.7 million in connection with the launch, insurance and deployment of EchoStar III and EchoStar IV; (ii) approximately $50.0 million related to the construction of EchoStar III and EchoStar IV; and (iii) approximately $16.7 million for debt service relating to contractor financing of EchoStar I, EchoStar II and EchoStar III. Expected capital expenditures may increase in the event of delays, cost overruns, increased costs associated with certain potential change orders under the Company's satellite or launch contracts, or a change in launch providers.

In addition, EchoStar has agreements with various manufacturers for the purchase of DBS satellite receivers and related components manufactured to EchoStar's specifications. These DBS satellite receivers and components are necessary to receive DISH Network-SM- programming. As of December 31, 1996, EchoStar's commitments relative to such agreements totaled approximately $82.9 million, and the total of all outstanding purchase order commitments with domestic and foreign suppliers approximated $85.9 million. All purchases related to these commitments are expected to be made during 1997. EchoStar expects that its 1997 purchases of DBS satellite receivers and related components will significantly exceed its existing contractual commitments.

EchoStar's 1997 working capital, capital expenditure and debt service requirements are expected to be funded from existing cash and marketable investment securities balances, balances held in the ESBC Notes Escrow, cash generated from operations, proceeds of the ASkyB Transaction (as more fully described below), and additional debt, equity or other financings. There can be no assurance that additional debt, equity or other financing will be available on terms acceptable to EchoStar, or at all. Further increases in subscriber acquisition costs, inadequate supplies of DBS receivers, or significant launch delays or failures would significantly and adversely affect EchoStar's operating results and financial condition.

During March 1997, EchoStar's wholly-owned subsidiary, DISH Network-SM-Credit Corporation ("DNCC"), began offering an internally-financed consumer lease plan to prospective DISH Network-SM- customers. This plan provides for a four-year lease term at competitive rates to qualified consumers. EchoStar will assume all credit risk related to the lease program. Initially, EchoStar plans to implement DNCC's consumer lease program on a limited basis. Additional capital will be required for EchoStar to implement the program on a larger scale. There can be no assurance additional capital will be available for the lease program on terms acceptable to EchoStar, or at all.

Beyond 1997, EchoStar will expend approximately $88.6 million to repay contractor financing of EchoStar I, EchoStar II, EchoStar III and EchoStar IV. Additionally, EchoStar has committed to expend in 1998 approximately $69.7 million to construct, launch and support EchoStar IV. EchoStar's contracts with Lockheed Martin for the construction of EchoStar III and EchoStar IV provide for the payment by EchoStar of substantial penalties in the event of termination of such contracts. To meet the aforementioned requirements and to fully execute its business plan, EchoStar will require significant additional capital. The Company anticipates that its

future capital requirements will be met from additional debt or equity financings and from cash generated by operations. There can be no assurance that additional debt, equity or other financing will be available on terms acceptable to EchoStar, or at all.

As previously described, EchoStar intends to consummate the ASkyB Transaction during 1997. Cash proceeds to EchoStar from the ASkyB Transaction are dependent upon the timing of closing of the transaction. The cash proceeds will be equal to $1.0 billion less actual amounts paid to vendors through the date of closing for the satellites and other DBS assets to be transferred to EchoStar at closing. Prior to the closing of the ASkyB Transaction and pursuant to the terms of the binding letter agreement, News has agreed to provide EchoStar with interim financing, as needed, in an aggregate amount of up to $200.0 million. This interim financing will be in the form of either purchases by News of EchoStar Class A Common Stock or non-interest bearing advances to EchoStar, dependent upon when necessary regulatory approvals are obtained. Any interim financing amounts received by EchoStar will be used for purposes of funding its near-term working capital, capital expenditure and debt service requirements. To the extent that News advances funds to EchoStar or purchases shares as described above, the amount paid by News shall be credited against News' total cash consideration and the number of shares purchased shall be credited against the number of shares of EchoStar's Class A Common Stock to be received by News at the closing.

ASkyB currently has four DBS satellites under construction, one of which is scheduled to be launched in late 1997. ASkyB also has other DBS assets under construction, including a digital broadcast center in Gilbert, Arizona. EchoStar will acquire ownership of the ASkyB assets, and assume future obligations necessary to complete construction and deployment of such assets, in connection with the ASkyB Transaction. There can be no assurance as to the final terms or timing of the ASkyB Transaction or whether the ASkyB Transaction will be consummated. EchoStar will require additional debt or equity financing following the closing of the ASkyB transaction to complete construction and deployment of the assets acquired, and to fully implement its business plan. There can be no assurance that such additional debt or equity financing will be available on terms acceptable to EchoStar, or at all.

Consent of EchoStar's bondholders may be required in connection with the ASkyB Transaction. EchoStar is currently assessing the financial and other requirements associated with the consent solicitation necessary to consummate the ASkyB Transaction. In connection therewith, the Company also is evaluating the feasibility of refinancing its outstanding Dish Notes and ESBC Notes. Additional financing would be required to refinance the Dish Notes and ESBC Notes. There can be no assurance that such additional financing will be available on terms acceptable to EchoStar, or at all. While there can be no assurance, EchoStar believes it will be able to obtain any necessary consents of its bondholders relative to the ASkyB Transaction.

EchoStar expects that its net losses will continue as it builds its subscription television business such that, prior to consummation of the ASkyB Transaction, negative stockholders' equity will result during the second quarter of 1997 unless it receives additional equity financing from the interim financing described above, or from other sources. EchoStar's expected net losses will result primarily from: (i) the amortization of original issue discount associated with the Dish Notes and the ESBC Notes; (ii) increases in depreciation expense attributable to EchoStar's satellites and other fixed assets; (iii) amortization of subscriber acquisition costs; (iv) subscriber promotion subsidies; and (v) increases in SG&A expenses to support the DISH Network-SM-. Although a negative equity position has significant implications, including, but not limited to, non-compliance with Nasdaq National Market listing criteria, EchoStar believes that such event will not materially affect the implementation and execution of its business strategy. When EchoStar ceases to satisfy Nasdaq's National Market listing criteria, EchoStar's Class A Common Stock will be subject to being delisted unless an exception is granted by the National Association of Securities Dealers. If an exception is not granted, trading in EchoStar Class A Common Stock would thereafter be conducted in the over-the-counter market. Consequently, it may be more difficult to dispose of, or to obtain accurate quotations for, EchoStar Class A Common Stock. Accordingly, delisting may result in a decline in the trading market for EchoStar's Class A Common Stock, which could, among other things, potentially depress EchoStar's stock and bond prices and impair EchoStar's ability to obtain additional financing.

As of December 31, 1996, EchoStar had approximately $886.1 million of outstanding long-term debt (including the Dish Notes, the ESBC Notes, deferred satellite contract payments on EchoStar I and EchoStar II, and mortgage notes payable). Interest on the Dish Notes and the ESBC Notes accretes, but currently is not payable in cash. Semiannual cash interest payments associated with the Dish Notes commence December 1, 1999 and will approximate $40.2 million. The Dish Notes Indenture requires principal reductions of $156.0 million on each of June 1, 2002 and 2003. These principal reductions will result in decreases in semiannual cash interest payments to $30.1 million and $20.1 million, effective December 1, 2002 and December 1, 2003, respectively. Semiannual cash

interest payments of $38.1 million associated with the ESBC Notes commence on September 15, 2000. EchoStar utilized approximately $64.0 million of contractor financing for EchoStar I and EchoStar II. As of December 31, 1996, approximately $57.6 million of such contractor financing was outstanding. The contractor financing bears interest at 8.25% and is payable in equal monthly installments over five years following launch of the respective satellites. Contractor financing of $15.0 million will be used for each of EchoStar III and EchoStar IV. The terms of such contractor financing for EchoStar III and EchoStar IV will be similar to that associated with EchoStar I and EchoStar II.

From May 1994 to May 1996, certain of EchoStar's subsidiaries maintained a revolving credit facility (the "Credit Facility") with a bank for the purposes of funding working capital advances and meeting letter of credit requirements associated with certain inventory purchases and satellite construction payments. The Credit Facility expired in May 1996. EchoStar currently does not intend to arrange a replacement credit facility.

AVAILABILITY OF OPERATING CASH FLOW TO ECHOSTAR

The indentures related to the Dish Notes and ESBC Notes impose various restrictions on the transfer of funds among EchoStar and its subsidiaries. The Dish Notes Indenture contains restrictive covenants that, among other things, impose limitations on Dish, Ltd. and its subsidiaries with respect to their ability to: (i) incur additional indebtedness; (ii) issue preferred stock; (iii) apply the proceeds of certain asset sales; (iv) create, incur or assume liens; (v) create dividend and other payment restrictions with respect to Dish, Ltd.'s subsidiaries; (vi) merge, consolidate or sell assets; (vii) incur subordinated or junior debt; and (viii) enter into transactions with affiliates. In addition, Dish, Ltd., may pay dividends on its equity securities only if (1) no default is continuing under the Dish Notes Indenture; and (2) after giving effect to such dividend, Dish, Ltd.'s ratio of total indebtedness to cash flow (calculated in accordance with the Dish Notes Indenture) would not exceed 4.0 to 1.0. Moreover, the aggregate amount of such dividends generally may not exceed the sum of 50% of Dish, Ltd.'s consolidated net income (calculated in accordance with the Dish Notes Indenture) from the date of issuance of the Dish Notes, plus 100% of the aggregate net proceeds to Dish, Ltd. from the issuance and sale of certain equity interests of Dish, Ltd. (including common stock).