UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2003

OR

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

For the transition period from __________ to __________

Commission File Number: 0-26176

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.)
5701 S. Santa Fe Drive **Littleton, Colorado**	**80120**
(Address of principal executive offices)	(Zip code)

(303) 723-1000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes ☒ No o

As of August 8, 2003, the Registrant's outstanding common stock consisted of 245,815,642 shares of Class A Common Stock and 238,435,208 Shares of Class B Common Stock.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We make “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 throughout this document. Whenever you read a statement that is not simply a statement of historical fact (such as when we describe what we “believe,” “expect” or “anticipate” will occur and other similar statements), you must remember that our expectations may not be correct, even though we believe they are reasonable. We do not guarantee that the transactions and events described in this document will happen as described or that they will happen at all. You should read this document completely and with the understanding that actual future results may be materially different from what we expect. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, the following:

- we face intense and increasing competition from the satellite and cable television industry; new competitors may enter the subscription television business and new technologies may increase competition;
- DISH Network subscriber growth may decrease, subscriber turnover may increase and subscriber acquisition costs may increase;
- satellite programming signals have been pirated and could be pirated in the future; pirating could cause us to lose subscribers and revenue or result in higher costs to us;
- programming costs may increase beyond our current expectations;
- weakness in the global or U.S. economy may harm our business generally, and adverse local political or economic developments may occur in some of our markets;
- we currently do not have traditional commercial insurance covering losses incurred from the failure of satellite launches and/or in orbit satellites and we may be unable to settle outstanding claims with insurers;
- the regulations governing our industry may change;
- our satellite launches may be delayed or fail and our satellites may fail prematurely in orbit;
- service interruptions arising from technical anomalies on satellites or on ground components of our DBS system, or caused by war, terrorist activities or natural disasters, may cause customer cancellations or otherwise harm our business;
- we may be unable to obtain needed retransmission consents, FCC authorizations or export licenses;
- we are party to various lawsuits which, if adversely decided, could have a significant adverse impact on our business;
- we may be unable to obtain patent licenses from holders of intellectual property or redesign our products to avoid patent infringement;
- sales of digital equipment and related services to international direct-to-home service providers may decrease;
- we are highly leveraged and subject to numerous constraints on our ability to raise additional debt;
- future acquisitions, business combinations, strategic partnerships and divestitures may involve additional uncertainties;
- the September 11, 2001 terrorist attacks, consequences of the war in Iraq, and the possibility of war or hostilities relating to other countries, and changes in international political conditions as a result of these events may continue to affect the U.S. and the global economy and may increase other risks; and
- we may face other risks described from time to time in periodic reports we file with the Securities and Exchange Commission.

All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. In this connection, investors should consider the risks described herein and should not place undue reliance on any forward-looking statements.

In this document, the words “we,” “our” and “us” refer to EchoStar Communications Corporation and its subsidiaries, unless the context otherwise requires. “EDBS” refers to EchoStar DBS Corporation and its subsidiaries.

ECHOSTAR COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	As of	
	December 31, 2002	June 30, 2003
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,483,078	$ 1,151,967
Marketable investment securities	1,203,917	1,521,280
Trade accounts receivable, net of allowance for uncollectible accounts of $27,649 and $24,262, respectively	329,020	325,133
Insurance receivable	106,000	106,000
Inventories	150,290	151,816
Other current assets	47,212	59,661
Total current assets	3,319,517	3,315,857
Restricted cash	9,972	9,982
Cash reserved for satellite insurance	151,372	135,222
Property and equipment, net	1,974,516	1,924,352
FCC authorizations, net	696,409	696,409
Other noncurrent assets	108,799	151,171
Total assets	$ 6,260,585	$ 6,232,993
Liabilities and Stockholders' Deficit		
Current Liabilities:		
Trade accounts payable	$ 264,813	$ 321,503
Deferred revenue	443,757	477,313
Accrued expenses	923,217	894,456
Current portion of long-term obligations	13,432	13,501
Total current liabilities	1,645,219	1,706,773
Long-term obligations, net of current portion:		
9 1/4% Seven Year Notes (Note 7)	375,000	—
9 3/8% Ten Year Notes	1,625,000	1,625,000
10 3/8% Seven Year Notes	1,000,000	1,000,000
9 1/8% Seven Year Notes	700,000	700,000
4 7/8% Convertible Notes	1,000,000	1,000,000
5 3/4% Convertible Notes	1,000,000	1,000,000
Mortgages and other notes payable, net of current portion	33,621	33,964
Long-term deferred distribution and carriage payments and other long-term liabilities	87,383	96,728
Total long-term obligations, net of current portion	5,821,004	5,455,692
Total liabilities	7,466,223	7,162,465
Commitments and Contingencies (Note 8)		
Stockholders' Deficit:		
Class A Common Stock, $.01 par value, 1,600,000,000 shares authorized, 242,539,709 and 245,743,730 shares issued and outstanding, respectively	2,425	2,458
Class B Common Stock, $.01 par value, 800,000,000 shares authorized, 238,435,208 shares issued and outstanding	2,384	2,384
Class C Common Stock, $.01 par value, 800,000,000 shares authorized, none outstanding	—	—
Additional paid-in capital	1,706,731	1,732,831
Non-cash, stock-based compensation	(8,657)	(4,662)
Accumulated other comprehensive income	6,197	65,525
Accumulated deficit	(2,914,718)	(2,728,008)
Total stockholders' deficit	(1,205,638)	(929,472)
Total liabilities and stockholders' deficit	$ 6,260,585	$ 6,232,993

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

ECHOSTAR COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2003	2002	2003
Revenue:				
Subscription television services	$1,071,845	$1,340,601	$2,087,902	$2,630,712
Other subscriber-related revenue	7,843	2,440	10,670	5,474
DTH equipment sales	68,140	50,761	125,190	91,542
Other	20,856	20,765	49,390	45,887
Total revenue	1,168,684	1,414,567	2,273,152	2,773,615
Costs and Expenses:				
Subscriber-related expenses (exclusive of depreciation shown below — Note 9)	542,454	654,699	1,052,355	1,287,525
Satellite and transmission expenses (exclusive of depreciation shown below — Note 9)	15,150	16,315	28,637	32,341
Cost of sales — DTH equipment	44,103	33,484	83,479	61,355
Cost of sales — other	9,969	12,204	26,170	25,059
Cost of sales — subscriber promotion subsidies (exclusive of depreciation shown below — Note 9)	80,767	96,884	181,702	220,882
Other subscriber promotion subsidies	138,002	148,892	271,372	299,529
Subscriber acquisition advertising	31,407	39,925	65,128	73,477
General and administrative	70,254	89,089	149,249	171,469
Non-cash, stock-based compensation	2,169	(217)	3,835	1,772
Depreciation and amortization (Note 9)	87,981	100,299	169,518	198,465
Total costs and expenses	1,022,256	1,191,574	2,031,445	2,371,874
Operating income	146,428	222,993	241,707	401,741
Other Income (Expense):				
Interest income	29,336	14,959	59,139	30,475
Interest expense, net of amounts capitalized	(116,272)	(107,715)	(245,515)	(238,216)
Change in valuation of contingent value rights	(8,839)	—	(5,378)	—
Other	(3,358)	1,713	(37,580)	1,099
Total other income (expense)	(99,133)	(91,043)	(229,334)	(206,642)
Income before income taxes	47,295	131,950	12,373	195,099
Income tax provision, net	(10,294)	(3,157)	(10,519)	(8,389)
Net income	37,001	128,793	1,854	186,710
Accretion of Series D Convertible Preferred Stock	—	—	(61,860)	—
Numerator for basic and diluted income (loss) per share — income (loss) available (attributable) to common shareholders	$ 37,001	$ 128,793	$ (60,006)	$ 186,710
Denominator for basic income (loss) per share — weighted-average common shares outstanding	480,405	483,372	480,070	482,241
Denominator for diluted income (loss) per share — weighted-average common shares outstanding	544,130	488,385	480,070	487,557
Net income (loss) per common share:				
Basic net income (loss)	$ 0.08	$ 0.27	$ (0.12)	$ 0.39
Diluted net income (loss)	$ 0.07	$ 0.26	$ (0.12)	$ 0.38

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

ECHOSTAR COMMUNICATIONS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30,	
	2002	2003
Cash Flows From Operating Activities:		
Net income	$ 1,854	$ 186,710
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	169,518	198,465
Equity in losses (earnings) of affiliates	8,012	(111)
Change in valuation of contingent value rights	5,378	—
Realized and unrealized loss on investments	26,408	38
Non-cash, stock-based compensation recognized	3,835	1,772
Deferred tax expense (benefit)	5,454	(2,371)
Recognition of bridge commitment fees from reduction of bridge financing commitments	14,864	—
Amortization of debt discount and deferred financing costs	5,883	8,036
Change in long-term assets	—	(51,333)
Change in long-term deferred distribution and carriage payments and other long-term liabilities	16,656	(2,872)
Other, net	(783)	4,863
Changes in current assets and current liabilities, net	109,780	90,065
Net cash flows from operating activities	366,859	433,262
Cash Flows From Investing Activities:		
Purchases of marketable investment securities	(2,775,555)	(2,121,902)
Sales of marketable investment securities	2,556,074	1,858,783
Purchases of property and equipment	(244,585)	(157,289)
Cash reserved for satellite insurance	(59,680)	—
Change in cash reserved for satellite insurance due to depreciation on related satellites	14,226	16,140
Capitalized merger-related costs	(10,645)	—
Other	(892)	780
Net cash flows from investing activities	(521,057)	(403,488)
Cash Flows From Financing Activities:		
Net proceeds from issuance of Series D Convertible Preferred Stock	1,483,477	—
Redemption of 9 1/4% Senior Notes (Note 7)	—	(375,000)
Repayments of mortgage indebtedness and notes payable	(447)	(1,089)
Net proceeds from Class A Common Stock options exercised and Class A Common Stock issued to Employee Stock Purchase Plan	6,711	15,204
Other	(221)	—
Net cash flows from financing activities	1,489,520	(360,885)
Net increase (decrease) in cash and cash equivalents	1,335,322	(331,111)
Cash and cash equivalents, beginning of period	1,677,889	1,483,078
Cash and cash equivalents, end of period	$ 3,013,211	$ 1,151,967
Supplemental Disclosure of Cash Flow Information:		
Forfeitures of deferred non-cash, stock-based compensation	$ 5,520	$ 2,394
Capitalized interest	$ 14,838	$ 4,591
Satellite vendor financing	$ 15,000	$ —

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

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Business Activities

Principal Business

The operations of EchoStar Communications Corporation ("ECC," and together with its subsidiaries, "EchoStar," the "Company," "we," "us," and/or "our") include two interrelated business units:

- *The DISH Network* — which provides a direct broadcast satellite subscription television service we refer to as "DBS" in the United States; and

- *EchoStar Technologies Corporation* ("ETC") — which designs and develops DBS set-top boxes, antennae and other digital equipment for the DISH Network. We refer to this equipment collectively as "EchoStar receiver systems." ETC also designs, develops and distributes similar equipment for international satellite service providers.

Since 1994, we have deployed substantial resources to develop the "EchoStar DBS System." The EchoStar DBS System consists of our FCC-allocated DBS spectrum, nine in-orbit satellites ("EchoStar I" through "EchoStar IX"), EchoStar receiver systems, digital broadcast operations centers, customer service facilities, and other assets utilized in our operations. Our principal business strategy is to continue developing our subscription television service in the United States to provide consumers with a fully competitive alternative to cable television service.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, these statements do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the six months ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and disclosures thereto included in EchoStar's Annual Report on Form 10-K for the year ended December 31, 2002. Certain prior year amounts have been reclassified to conform with the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for each reporting period. Actual results could differ from those estimates.

During the three months ended June 30, 2003, we recorded a reduction to Cost of sales — subscriber promotion subsidies of approximately $34.4 million primarily related to the receipt of a reimbursement payment for previously sold set-top box equipment pursuant to a litigation settlement.

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

Comprehensive Income (Loss)

The components of comprehensive income (loss), net of tax, are as follows:

	For the Six Months Ended June 30, 2002	For the Six Months Ended June 30, 2003
	(In thousands)	
Net Income	$ 1,854	$186,710
Foreign currency translation adjustments	—	211
Unrealized holding gains (losses) on available-for-sale securities arising during period	(41,344)	57,151
Reclassification adjustment for impairment losses on available-for-sale securities included in net income	9,765	1,966
Comprehensive income (loss)	$(29,725)	$246,038

Accumulated other comprehensive income (loss) presented on the accompanying condensed consolidated balance sheets consists of the accumulated net unrealized gains (losses) on available-for-sale securities, net of deferred taxes.

Basic and Diluted Earnings (Loss) Per Share

Statement of Financial Accounting Standards No. 128, “Earnings Per Share” (“FAS 128”) requires entities to present both basic earnings per share (“EPS”) and diluted EPS. Basic EPS excludes dilution and is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if stock options were exercised and convertible securities were converted to common stock.

We recorded a net loss attributable to common shareholders for the six month period ending June 30, 2002. Therefore, common stock equivalents and convertible securities are excluded from the computation of diluted earnings (loss) per share for that period since the effect of including them is anti-dilutive. Since we reported net income attributable to common shareholders for the three month periods ending June 30, 2003 and 2002 and for the six month period ending June 30, 2003, the potential dilution from stock options exercisable into common stock for these periods was computed using the treasury stock method based on the average fair market value of the Class A common stock for the period. The following table reflects the basic and diluted weighted-average shares outstanding used to calculate basic and diluted earnings per share.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
	(In thousands)		(In thousands)	
Denominator for basic income (loss) per share — weighted-average common shares outstanding	480,405	483,372	480,070	482,241
Dilutive impact of options outstanding	6,120	5,013	—	5,316
Dilutive impact of Series D Convertible Preferred Stock	57,605	—	—	—
Denominator for diluted income (loss) per share — weighted-average diluted common shares outstanding	544,130	488,385	480,070	487,557

As of June 30, 2002 and 2003, options to purchase a total of approximately 21.0 million and 18.4 million shares of Class A common stock were outstanding, respectively. The 4 7/8% Convertible Subordinated Notes and the 5 3/4% Convertible Subordinated Notes were convertible into approximately 22.0 million shares and 23.1 million shares of Class A common stock, respectively, for both the periods ended June 30, 2002 and 2003. The convertible notes are

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

not included in the diluted EPS calculation as the effect of the conversion of the notes would be anti-dilutive. Of the options outstanding as of June 30, 2003, approximately 8.3 million shares were outstanding under a long term incentive plan. Vesting of these options is contingent upon meeting certain longer-term goals which have not yet been achieved. As such, the long-term incentive options are not included in the diluted EPS calculation.

Accounting for Stock-Based Compensation

We have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for our stock-based compensation plans. Under APB 25, we generally do not recognize compensation expense on the issuance of stock under our Stock Incentive Plan because the option terms are typically fixed and typically the exercise price equals or exceeds the market price of the underlying stock on the date of grant. In October 1995, the Financial Accounting Standards Board issued Financial Accounting Standard No. 123, "Accounting and Disclosure of Stock-Based Compensation," ("FAS No. 123") which established an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. We elected to not adopt FAS No. 123 for expense recognition purposes.

Pro forma information regarding net income and earnings per share is required by FAS No. 123 and Financial Accounting Standard No. 148, "Accounting and Disclosure of Stock-Based Compensation — Transition and Disclosure," ("FAS No. 148"). Pro forma information has been determined as if we had accounted for our stock-based compensation plans using the fair value method prescribed by FAS No. 123. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the vesting period of the options. A value is not attributed to options that employees forfeit because they fail to satisfy specified service or performance related conditions. The following table, as required by FAS No. 148, illustrates the effect on net income (loss) and income (loss) per share if we had accounted for our stock-based compensation plans using the fair value method prescribed by FAS No. 123 (in thousands, except per share amounts):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
	(In thousands)		(In thousands)	
Net income (loss) available (attributable) to common shareholders, as reported	$37,001	$128,793	$(60,006)	$186,710
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	2,169	(217)	3,835	1,772
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(6,834)	(6,972)	(13,210)	(13,207)
Pro forma net income (loss) available (attributable) to common shareholders, as reported	$32,336	$121,604	$(69,381)	$175,275
Basic income (loss) per share, as reported	$ 0.08	$ 0.27	$ (0.12)	$ 0.39
Diluted income (loss) per share, as reported	$ 0.07	$ 0.26	$ (0.12)	$ 0.38
Pro forma basic income (loss) per share	$ 0.07	$ 0.25	$ (0.14)	$ 0.36
Pro forma diluted income (loss) per share	$ 0.06	$ 0.25	$ (0.14)	$ 0.36

For purposes of this pro forma presentation, the fair value of each option grant was estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions for grants during the three and six months ended June 30, 2002 and 2003.

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
Risk-free interest rate	4.40%	2.56%	4.93%	3.03%
Volatility factor	47.16%	38.16%	44.91%	39.09%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected term of options	6 years	6 years	6 years	6 years
Weighted-average fair value of options granted	$12.68	$14.16	$13.55	$12.34

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including expected stock price characteristics which are significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of stock-based compensation awards.

Non-cash, stock-based compensation

During 1999, we adopted an incentive plan under our 1995 Stock Incentive Plan, that provided certain key employees with incentives including stock options. The table below shows the amount of compensation expense recognized under this performance-based plan for the three and six months ended June 30, 2002 and 2003. The expense decrease from prior year for both the three and six months is primarily attributable to stock option forfeitures resulting from employee terminations. The remaining deferred compensation of $4.7 million as of June 30, 2003, which will be reduced by future forfeitures, if any, will be recognized over the remaining vesting period, ending on March 31, 2004.

We report all non-cash compensation based on stock option appreciation as a single expense category in our accompanying statements of operations. The following table indicates the other expense categories in our statements of operations that would be affected if non-cash, stock-based compensation was allocated to the same expense categories as the base compensation for key employees who participate in the 1999 incentive plan.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
	(In thousands)		(In thousands)	
Subscriber related	$ 183	$(201)	$ 365	$ (111)
Satellite and transmission	182	90	(372)	179
General and administrative	1,804	(106)	3,842	1,704
	$2,169	$(217)	$3,835	$1,772

In addition, options to purchase 8.3 million shares were outstanding as of June 30, 2003 and were granted with exercise prices equal to the market value of the underlying shares on the dates they were issued during 1999, 2000 and 2001 pursuant to a separate long term incentive plan under our 1995 Stock Incentive Plan. The weighted-average exercise price of these options is $8.85. Vesting of these options is contingent upon meeting certain longer-term goals which have not yet been achieved. Consequently, no compensation was recorded during the six months ended June 30, 2003 related to these long-term options. We will record the related compensation at the achievement, if ever, of the performance goals. Such compensation, if recorded, would likely result in material non-cash, stock-based compensation expense in our statements of operations.

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

New Accounting Pronouncements

In November 2002, the EITF reached a consensus on Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables.” EITF Issue No. 00-21 governs arrangements involving multiple deliverables and how the related revenue should be measured and allocated to each deliverable. EITF Issue No. 00-21 will apply to revenue arrangements entered into after June 30, 2003; however, upon adoption, the EITF allows the guidance to be applied on a retroactive basis, with the change, if any, reported as a cumulative effect of accounting change in the consolidated statements of operations. The implementation of this new EITF issue is not expected to have a material impact on our financial position or results of operations.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”), which addresses the consolidation of variable interest entities as defined in the Interpretation. FIN 46 requires an assessment of certain investments to determine if they are variable interest entities. FIN 46 is immediately effective for all variable interest entities created after January 31, 2003. For variable interest entities created before February 1, 2003, the provisions of FIN 46 must be applied no later than the beginning of the first interim period or annual reporting period beginning after June 15, 2003. In addition, if it is reasonably possible that an enterprise will consolidate or disclose information about a variable interest entity, the enterprise shall discuss the following information in all financial statements issued after January 31, 2003: (i) the nature, purpose, size or activities of the variable interest entity and (ii) the enterprise’s maximum exposure to loss as a result of its involvement with the variable interest entity. We implemented FIN 46 effective January 1, 2003. Implementation of FIN 46 did not have a material impact on our financial position or results of operations.

3. Marketable and Non-Marketable Investment Securities

We currently classify all marketable investment securities as available-for-sale. In accordance with generally accepted accounting principles, we adjust the carrying value of our available-for-sale marketable investment securities to fair market value and report the related temporary unrealized gains and losses as a separate component of stockholders’ deficit, net of related deferred income tax, if applicable. Declines in the fair market value of a marketable investment security which are estimated to be “other than temporary” must be recognized in the statement of operations, thus establishing a new cost basis for such investment. We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the market value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the fair value of our marketable investment securities compared to the carrying value of these securities, the historical volatility of the price of each security and any market and company specific factors related to each security. Generally, absent specific factors to the contrary, declines in the fair value of investments below cost basis for a period of less than six months are considered to be temporary. Declines in the fair value of investments for a period of six to nine months are evaluated on a case by case basis to determine whether any company or market-specific factors exist which would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for greater than nine months are considered other than temporary and are recorded as charges to earnings, absent specific factors to the contrary.

As of June 30, 2003, we recorded unrealized gains of approximately $65.3 million as a separate component of stockholders’ deficit. During the six months ended June 30, 2003, we also recorded an aggregate charge to earnings for other than temporary declines in the fair market value of certain of our marketable investment securities of approximately $2.0 million, and established a new cost basis for these securities. This amount does not include realized gains of approximately $2.0 million on sales of marketable investment securities. Our approximately $2.82 billion of restricted and unrestricted cash, cash equivalents and marketable investment securities includes debt and equity securities which we own for strategic and financial purposes. The fair market value of these strategic marketable investment securities aggregated approximately $168.9 million as of June 30, 2003. During the six months ended June 30, 2003, our portfolio generally, and our strategic investments particularly, experienced and continue to experience volatility. If the fair market value of our marketable securities portfolio does not remain above cost basis or if we become aware of any market or company specific factors that indicate that the carrying value of certain of our securities

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

is impaired, we may be required to record charges to earnings in future periods equal to the amount of the decline in fair value.

We also have made strategic equity investments in certain non-marketable investment securities. These securities are not publicly traded. Our ability to realize value from our strategic investments in companies that are not public is dependent on the success of their business and their ability to obtain sufficient capital to execute their business plans. Since private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments or that when we desire to sell them we will not be able to obtain full value for them. We evaluate our non-marketable investment securities on a quarterly basis to determine whether the carrying value of each investment is impaired. This quarterly evaluation consists of reviewing, among other things, company business plans and current financial statements, if available, for factors which may indicate an impairment in our investment. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. During the six months ended June 30, 2003, we did not record any impairment charges with respect to these instruments.

4. Inventories

Inventories consist of the following:

	As of	
	December 31, 2002	June 30, 2003
	(In thousands)	
Finished goods — DBS	$104,769	$ 96,443
Raw materials	25,873	36,366
Finished goods — remanufactured and other	16,490	14,595
Work-in-process	7,964	7,558
Consignment	5,161	3,518
Reserve for excess and obsolete inventory	(9,967)	(6,664)
Inventories, net	$150,290	$151,816

5. Property and Equipment

EchoStar III

During June 2003, a transponder pair on EchoStar III failed, resulting in a temporary interruption of service. Operation of the satellite was quickly restored. Including the six transponder pairs that malfunctioned in prior years, these anomalies have resulted in the failure of a total of fourteen transponders on the satellite to date. While originally designed to operate a maximum of 32 transponders at any given time, the satellite was equipped with a total of 44 transponders to provide redundancy, and can now operate a maximum of 30 transponders. We are only licensed by the FCC to operate 11 transponders at the 61.5 degree orbital location (together with an additional six leased transponders), where EchoStar III is located.

EchoStar V

During 2000, 2001 and 2002, EchoStar V experienced anomalies resulting in the loss of three solar array strings, and during January 2003, EchoStar V experienced anomalies resulting in the loss of an additional solar array string. The satellite has a total of approximately 96 solar array strings and approximately 92 are required to assure full power availability for the estimated 12-year design life of the satellite. In addition, during January 2003, EchoStar V experienced an anomaly in a spacecraft electronic component which affects the ability to receive telemetry from certain on-board equipment. Other methods of communication have been established to alleviate the effects of the failed component. An investigation of the solar array and electronic component anomalies, none of which have impacted commercial operation of the satellite, is continuing. Until the root cause of these anomalies is finally determined, there can be no assurance future anomalies will not cause further losses which could impact commercial operation of the satellite.

EchoStar VIII

During 2002, two of the thrusters on EchoStar VIII experienced anomalous events and are not currently in use. During March 2003, an additional thruster on EchoStar VIII experienced an anomalous event and is not currently in use. The satellite is equipped with a total of 12 thrusters that help control spacecraft location, attitude, and pointing and is currently operating using a combination of the other nine thrusters. This workaround requires more frequent maneuvers to maintain the satellite at its specified orbital location, which are less efficient and therefore result in accelerated fuel use. In addition, the workaround will require certain gyroscopes to be utilized for aggregate periods of time substantially in excess of their originally qualified limits. However, neither of these workarounds are expected to reduce the estimated design life of the satellite to less than 12 years. An investigation of the thruster anomalies including the development of additional workarounds for long term operations is continuing. None of these events has impacted commercial operation of the satellite to date. Until the root cause of these anomalies has been finally determined, there can be no assurance that these or future anomalies will not cause further losses which could impact commercial operation of the satellite.

EchoStar VIII is equipped with two solar arrays which convert solar energy into power for the satellite. Those arrays rotate continuously to maintain optimal exposure to the sun. During June and July 2003, EchoStar VIII experienced anomalies that temporarily halted rotation of one of the solar arrays. The array is currently fully functional but rotating in a mode recommended by the satellite manufacturer which allows full rotation, but which is different than the originally prescribed mode. An investigation of the solar array anomalies, none of which have impacted commercial operation of the satellite, is continuing. Unless the root cause of these anomalies is finally determined, there can be no assurance future anomalies will not cause losses which could impact commercial operation of the satellite.

Satellite Insurance

As a result of the failure of EchoStar IV solar arrays to fully deploy and the failure of 38 transponders to date, a maximum of 6 of the 44 transponders (including spares) on EchoStar IV are available for use at this time. In addition to transponder and solar array failures, EchoStar IV experienced anomalies affecting its thermal systems and propulsion system. There can be no assurance that further material degradation, or total loss of use, of EchoStar IV will not occur in the immediate future. EchoStar IV is currently located at the 157 degree orbital location.

In September 1998, we filed a $219.3 million insurance claim for a total loss under the launch insurance policies covering EchoStar IV. The satellite insurance consists of separate substantially identical policies with different carriers for varying amounts that, in combination, create a total insured amount of $219.3 million. The insurance carriers include La Reunion Spatiale; AXA Reinsurance Company (n/k/a AXA Corporate Solutions Reinsurance Company), United States Aviation Underwriters, Inc., United States Aircraft Insurance Group; Assurances Generales De France I.A.R.T. (AGF); Certain Underwriters at Lloyd’s, London; Great Lakes Reinsurance (U.K.) PLC; British Aviation Insurance Group; If Skaadeforsikring (previously Storebrand); Hannover Re (a/k/a International Hannover); The Tokio Marine & Fire Insurance Company, Ltd.; Marham Space Consortium (a/k/a Marham Consortium Management); Ace Global Markets (a/k/a Ace London); M.C. Watkins Syndicate; Goshawk Syndicate Management Ltd.; D.E. Hope Syndicate 10009 (Formerly Busbridge); Amlin Aviation; K.J. Coles & Others; H.R. Dumas & Others; Hiscox Syndicates, Ltd.; Cox Syndicate; Hayward Syndicate; D.J. Marshall & Others; TF Hart; Kiln; Assitalia Le Assicurazioni D’Italia S.P.A. Roma; La Fondiaria Assicurazione S.P.A., Firenze; Vittoria Assicurazioni S.P.A., Milano; Ras — Riunione Adriatica Di Sicurta S.P.A., Milano; Societa Cattolica Di Assicurazioni, Verano; Siat Assicurazione E Riassicurazione S.P.A, Genova; E. Patrick; ZC Specialty Insurance; Lloyds of London Syndicates 588

NJM, 1209 Meb AND 861 Meb; Generali France Assurances; Assurance France Aviation; and Ace Bermuda Insurance Ltd.

The insurance carriers offered us a total of approximately $88.0 million, or 40.0% of the total policy amount, in settlement of the EchoStar IV insurance claim. The insurers assert, among other things, that EchoStar IV was not a total loss, as that term is defined in the policy, and that we did not abide by the exact terms of the insurance policies. We strongly disagree and filed arbitration claims against the insurers for breach of contract, failure to pay a valid insurance claim and bad faith denial of a valid claim, among other things. Due to individual forum selection clauses in certain of the policies, we are pursuing our arbitration claims against Ace Bermuda Insurance Ltd. in London, England, and our arbitration claims against all of the other insurance carriers in New York, New York. The New York arbitration commenced on April 28, 2003, and hearings were held for two weeks. The arbitration will resume on September 16, 2003. The parties to the London arbitration have agreed to stay that proceeding pending a ruling in the New York arbitration. There can be no assurance that we will receive the amount claimed in either the New York or the London arbitrations or, if we do, that we will retain title to EchoStar IV with its reduced capacity.

At the time we filed our claim in 1998, we recognized an initial impairment loss of $106.0 million to write-down the carrying value of the satellite and related costs, and simultaneously recorded an insurance claim receivable for the same amount. We will have to reduce the amount of this receivable if a final settlement is reached for less than this amount. In addition, during 1999, we recorded an impairment loss of approximately $16.0 million as a charge to earnings to further write-down the carrying value of the satellite.

As a result of the thermal and propulsion system anomalies, we reduced the estimated remaining useful life of EchoStar IV to approximately four years during January 2000. We will continue to evaluate the performance of EchoStar IV and may modify our loss assessment as new events or circumstances develop.

The indentures related to certain of EchoStar DBS Corporation’s (“EDBS”) senior notes contain restrictive covenants that require us to maintain satellite insurance with respect to at least half of the satellites it owns or leases. Eight of our nine in-orbit satellites are currently owned by a direct subsidiary of EDBS. Insurance coverage is therefore required for at least four of EDBS’ eight satellites. The launch and/or in-orbit insurance policies for EchoStar I through EchoStar VIII have expired. We have been unable to obtain insurance on any of these satellites on terms acceptable to us. As a result, we are currently self-insuring these satellites. To satisfy insurance covenants related to EDBS’ senior notes, we have reclassified an amount equal to the depreciated cost of four of our satellites from cash and cash equivalents to cash reserved for satellite insurance on our balance sheet. As of June 30, 2003, cash reserved for satellite insurance totaled approximately $135.2 million. The reclassifications will continue until such time, if ever, as we can again insure our satellites on acceptable terms and for acceptable amounts, or until the covenants requiring the insurance are no longer applicable.

6. Goodwill and Intangible Assets

As of December 31, 2002 and June 30, 2003, we had approximately $53.8 million of gross identifiable intangibles with related accumulated amortization of approximately $33.6 million and $38.7 million as of the end of each period, respectively. These identifiable intangibles primarily include acquired contracts and technology-based intangibles. Amortization of these intangible assets with an average finite useful life of approximately five years was about $2.6 million and $5.1 million for the three and six months ended June 30, 2003, respectively. We estimate that such amortization expense will aggregate approximately $10.0 million annually for the remaining useful life of these intangible assets of approximately 1.5 years. In addition, our business unit DISH Network had approximately $3.4 million of goodwill as of December 31, 2002 and June 30, 2003.

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7. Long-Term Debt

Effective February 1, 2003, EDBS redeemed all of its outstanding *9 1/4*% Senior Notes due 2006. In accordance with the terms of the indenture governing the notes, the $375.0 million principal amount of the notes was repurchased at 104.625%, for a total of approximately $392.3 million. The premium paid of approximately $17.3 million, along with unamortized debt issuance costs of approximately $3.3 million, were recorded as charges to earnings as of February 1, 2003.

8. Commitments and Contingencies

Commitments

SES Americom

During March 2003, one of our wholly-owned subsidiaries, EchoStar Satellite Corporation ("ESC"), entered into a satellite service agreement with SES Americom for all of the capacity on a Fixed Satellite Service ("FSS") satellite to be located at the 105 degree west orbital location. This satellite is scheduled to be launched during the second half of 2004. ESC also agreed to lease all of the capacity on an existing in-orbit FSS satellite at the 105 degree orbital location beginning August 1, 2003 and continuing in most circumstances until the new satellite is launched.

ESC intends to use the capacity on the satellites to offer a combination of satellite TV programming including local network channels in additional markets and expanded high definition programming, together with satellite-delivered, high-speed internet services. In connection with the SES agreement, ESC paid $50.0 million to SES Americom to partially fund construction of the new satellite. The ten-year satellite service agreement is renewable by ESC on a year to year basis following the initial term, and provides ESC with certain rights to replacement satellites at the 105 degree west orbital location. We are required to make monthly payments to SES Americom for both the existing in-orbit FSS satellite and also for the new satellite for the ten-year period following its launch.

EchoStar X

During July 2003, we entered into a contract for the construction of EchoStar X, a high-powered DBS satellite. Construction is expected to be completed during 2005. With spot-beam capacity, EchoStar X will provide back up protection for our existing local channel offerings, and could allow DISH Network to offer other value added services.

Satellite-Related Obligations

As a result of our recent agreements with SES Americom, and for the construction of EchoStar X, our obligations for payments related to satellites have increased substantially. While in certain circumstances the dates on which we are obligated to make these payments could be delayed, the aggregate amount due under all of our existing satellite-related contracts including satellite construction and launch, satellite leases, in-orbit payments to satellite manufacturers and tracking, telemetry and control payments is expected to be approximately $48.0 million for the remainder of 2003, $79.0 million during 2004, $87.0 million during 2005, $72.0 million during 2006, $57.0 million during 2007 and similar amounts in subsequent years. These amounts will increase further when we procure and commence payments for the launch of EchoStar X, and would further increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

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Legal Proceedings

WIC Premium Television Ltd.

During July 1998, a lawsuit was filed by WIC Premium Television Ltd. ("WIC"), an Alberta corporation, in the Federal Court of Canada Trial Division, against General Instrument Corporation, HBO, Warner Communications, Inc., John Doe, Showtime, United States Satellite Broadcasting Company, Inc., EchoStar, and certain EchoStar subsidiaries.

During September 1998, WIC filed another lawsuit in the Court of Queen's Bench of Alberta Judicial District of Edmonton against certain defendants, including us. WIC is a company authorized to broadcast certain copyrighted work, such as movies and concerts, to residents of Canada. WIC alleges that the defendants engaged in, promoted, and/or allowed satellite dish equipment from the United States to be sold in Canada and to Canadian residents and that some of the defendants allowed and profited from Canadian residents purchasing and viewing subscription television programming that is only authorized for viewing in the United States. The lawsuit seeks, among other things, interim and permanent injunctions prohibiting the defendants from importing satellite receivers into Canada and from activating satellite receivers located in Canada to receive programming, together with damages in excess of $175.0 million.

The Court in the Alberta action denied our motion to dismiss, and our appeal of that decision. The Federal action has been dismissed by the federal court. The Alberta action is pending. We intend to continue to vigorously defend the suit. During 2002, the Supreme Court of Canada ruled that the receipt in Canada of programming from United States pay television providers is prohibited. While we were not a party to that case, the ruling could adversely affect our defense. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Distant Network Litigation

Until July 1998, we obtained feeds of distant broadcast network channels (ABC, NBC, CBS and FOX) for distribution to our customers through PrimeTime 24, an independent third party programming provider. In December 1998, the United States District Court for the Southern District of Florida entered a nationwide permanent injunction requiring that provider to shut off distant network channels to many of its customers, and henceforth to sell those channels to consumers in accordance with the injunction.

In October 1998, we filed a declaratory judgment action against ABC, NBC, CBS and FOX in the United States District Court for the District of Colorado. We asked the Court to find that our method of providing distant network programming did not violate the Satellite Home Viewer Act and hence did not infringe the networks' copyrights. In November 1998, the networks and their affiliate association groups filed a complaint against us in Miami Federal Court alleging, among other things, copyright infringement. The Court combined the case that we filed in Colorado with the case in Miami and transferred it to the Miami Federal Court. While the networks did not claim monetary damages and none were awarded, they are seeking attorney fees in excess of $6.0 million. It is too early to make an assessment of the probable outcome of the plaintiff's fee petition or to determine the extent of any potential liability.

In February 1999, the networks filed a Motion for Temporary Restraining Order, Preliminary Injunction and Contempt Finding against DirecTV, Inc. in Miami related to the delivery of distant network channels to DirecTV customers by satellite. DirecTV settled that lawsuit with the networks. Under the terms of the settlement between DirecTV and the networks, some DirecTV customers were scheduled to lose access to their satellite-provided distant network channels by July 31, 1999, while other DirecTV customers were to be disconnected by December 31, 1999. Subsequently, substantially all providers of satellite-delivered network programming other than us agreed to this cut-off schedule, although we do not know if they adhered to this schedule.

In April 2002, we reached a private settlement with ABC, Inc., one of the plaintiffs in the litigation and jointly filed a stipulation of dismissal. In November 2002, we reached a private settlement with NBC, another of the plaintiffs in

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the litigation and jointly filed a stipulation of dismissal. We have also reached private settlements with a small number of independent stations and station groups. We were unable to reach a settlement with six of the original eight plaintiffs — CBS, Fox, or the associations affiliated with each of the four networks.

The trial commenced on April 11, 2003 and concluded on April 25, 2003. On June 10, 2003, the Court issued its final judgment. The District Court found that with one exception our current distant network qualification procedures comply with the law. We have revised our procedures to comply with the District Court's Order. Although the plaintiffs asked the District Court to enter an injunction precluding us from selling any local or distant network programming, the District Court refused.

However, the District Court's injunction does require us to use a computer model to requalify, as of June 2003, all of our subscribers who receive ABC, NBC, CBS or Fox programming by satellite from a market other than the city in which the subscriber lives. The Court also invalidated all waivers historically provided by network stations. These waivers, which have been provided by stations for the past several years through a third party automated system, allow subscribers who believe the computer model improperly disqualified them for distant network channels, to none-the-less receive those channels by satellite. Further, even though the SHVIA provides that certain subscribers who received distant network channels prior to October 1999 can continue to receive those channels through December 2004, the District Court terminated the right of our grandfathered subscribers to continue to receive distant network channels.

While we are pleased the District Court did not provide the relief sought by the plaintiffs, we believe the District Court made a number of errors and have filed a notice of appeal of the District Court's decision. We have also asked the Court of Appeals to stay, until our appeal is decided, the current September 22, 2003 date by which EchoStar has been ordered to terminate distant network channels to all subscribers impacted by the District Court's decision. The Court of Appeals has indicated it will rule on our request for a stay on or before August 15, 2003. It is not possible to predict how the Court of Appeals will rule on our stay, or how or when the Court of Appeals will rule on the merits of our appeal.

In the event the Court of Appeals does not stay the lower court's ruling, and if we do not reach private settlement agreements with additional stations, we will attempt to assist subscribers in arranging alternative means to receive network channels, including migration to local channels by satellite where available, and free off air antenna offers in other markets. However, we can not predict with any degree of certainty how many subscribers will cancel their primary DISH Network programming as a result of termination of their distant network channels. Termination of distant network programming to subscribers would result in a reduction in ARPU of no more than $0.30 per subscriber per month. While there can be no assurance, we do not expect that those terminations would result in any more than a one percentage point increase in our otherwise anticipated churn over the course of the next 12 months.

Gemstar

During October 2000, Starsight Telecast, Inc., a subsidiary of Gemstar-TV Guide International, Inc. ("Gemstar"), filed a suit for patent infringement against us and certain of our subsidiaries in the United States District Court for the Western District of North Carolina, Asheville Division. The suit alleges infringement of United States Patent No. 4,706,121 ("the `121 Patent") which relates to certain electronic program guide functions. We examined this patent and believe that it is not infringed by any of our products or services. This conclusion is supported by findings of the International Trade Commission ("ITC") which are discussed below. The North Carolina case is stayed pending the appeal of the ITC action to the United States Court of Appeals for the Federal Circuit.

In December 2000, we filed suit against Gemstar-TV Guide (and certain of its subsidiaries) in the United States District Court for the District of Colorado alleging violations by Gemstar of various federal and state anti-trust laws and laws governing unfair competition. The lawsuit seeks an injunction and monetary damages. Gemstar filed counterclaims alleging infringement of United States Patent Nos. 5,923,362 and 5,684,525 that relate to certain electronic program guide functions. We examined these patents and believe they are not infringed by any of our products or services. In

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August 2001, the Federal Multi-District Litigation panel combined this suit, for pre-trial purposes, with other lawsuits asserting antitrust claims against Gemstar, which had previously been filed by other parties. In January 2002, Gemstar dropped the counterclaims of patent infringement. During March 2002, the Court denied Gemstar's motion to dismiss our antitrust claims. In January 2003, the Court denied a more recently filed Gemstar motion for summary judgment based generally on lack of standing. In its answer, Gemstar asserted new patent infringement counterclaims regarding United States Patent Nos. 4,908,713 ("the '713 patent") and 5,915,068 ("the '068 patent", which is expired). These patents relate to on-screen programming of VCRs. We have examined these patents and believe that they are not infringed by any of our products or services. The Court recently granted our motion to dismiss the '713 patent for lack of standing.

In February 2001, Gemstar filed patent infringement actions against us in the District Court in Atlanta, Georgia and with the ITC. These suits allege infringement of United States Patent Nos. 5,252,066, 5,479,268 and 5,809,204, all of which relate to certain electronic program guide functions. In addition, the ITC action alleged infringement of the `121 Patent which was also asserted in the North Carolina case previously discussed. In the Georgia district court case, Gemstar seeks damages and an injunction. The Georgia case was stayed pending resolution of the ITC action and remains stayed at this time. In December 2001, the ITC held a 15-day hearing before an administrative law judge. Prior to the hearing, Gemstar dropped its infringement allegations regarding United States Patent No. 5,252,066 with respect to which we had asserted substantial allegations of inequitable conduct. The hearing addressed, among other things, Gemstar's allegations of patent infringement and respondents' (SCI, Scientific Atlanta, Pioneer and us) allegations of patent misuse. During June 2002, the judge issued a Final Initial Determination finding that none of the patents asserted by Gemstar had been infringed. In addition, the judge found that Gemstar was guilty of patent misuse with respect to the `121 Patent and that the `121 Patent was unenforceable because it failed to name an inventor. The parties then filed petitions for the full ITC to review the judge's Final Initial Determination. During August 2002, the full ITC adopted the judge's findings regarding non-infringement and the unenforceability of the `121 Patent. The ITC did not adopt, but did not overturn, the judge's findings of patent misuse. Gemstar is appealing the decision of the ITC to the United States Court of Appeals for the Federal Circuit. If the Federal Circuit were to overturn the judge's decision, such an adverse decision in this case could temporarily halt the import of our receivers and could require us to materially modify certain user-friendly electronic programming guides and related features we currently offer to consumers. Based upon our review of these patents, and based upon the ITC's decision, we continue to believe that these patents are not infringed by any of our products or services. We intend to continue to vigorously contest the ITC, North Carolina and Georgia suits and will, among other things, continue to challenge both the validity and enforceability of the asserted patents.

During 2000, Superguide Corp. ("Superguide") also filed suit against us, DirecTV and others in the United States District Court for the Western District of North Carolina, Asheville Division, alleging infringement of United States Patent Nos. 5,038,211, 5,293,357 and 4,751,578 which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. Superguide sought injunctive and declaratory relief and damages in an unspecified amount. It is our understanding that these patents may be licensed by Superguide to Gemstar. Gemstar was added as a party to this case and asserted these patents against us. We examined these patents and believe that they are not infringed by any of our products or services. A Markman ruling interpreting the patent claims was issued by the Court and in response to that ruling, we filed motions for summary judgment of non-infringement for each of the asserted patents. Gemstar filed a motion for summary judgment of infringement with respect to one of the patents. During July 2002, the Court issued a Memorandum of Opinion on the summary judgment motions. In its Opinion, the Court ruled that none of our products infringe the 5,038,211 and 5,293,357 patents. With respect to the 4,751,578 patent, the Court ruled that none of our current products infringed that patent and asked for additional information before it could rule on certain low-volume products that are no longer in production. During July 2002, the Court summarily ruled that the aforementioned low-volume products did not infringe any of the asserted patents. Accordingly, the Court dismissed the case and awarded us our court costs. Superguide and Gemstar are appealing this case to the United States Court of Appeals for the Federal Circuit. We will continue to vigorously defend this case. In the event the Federal Circuit ultimately determines that we infringe on any of the aforementioned patents, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to materially modify certain user-friendly electronic programming guide and related features that we currently offer to consumers. It is too early to make an assessment of the probable outcome of the suits.

California Actions

A purported class action was filed against us in the California State Superior Court for Alameda County during May 2001 by Andrew A. Werby. The complaint, relating to late fees, alleges unlawful, unfair and fraudulent business practices in violation of California Business and Professions Code Section 17200 et seq., false and misleading advertising in violation of California Business and Professions Code Section 17500, and violation of the California Consumer Legal Remedies Act. A settlement was subsequently reached with plaintiff's counsel. The Court issued its preliminary approval of the settlement during October 2002 and issued its final approval of the settlement on March 7, 2003. As a result, this matter was concluded with no material impact on our business.

A purported class action relating to the use of terms such as "crystal clear digital video," "CD-quality audio," and "on-screen program guide," and with respect to the number of channels available in various programming packages was also filed against us in the California State Superior Court for Los Angeles County in 1999 by David Pritikin and by Consumer Advocates, a nonprofit unincorporated association. The complaint alleges breach of express warranty and violation of the California Consumer Legal Remedies Act, Civil Code Sections 1750, et seq., and the California Business & Professions Code Sections 17500 & 17200. A hearing on the plaintiffs' motion for class certification and our motion for summary judgment was held during June 2002. At the hearing, the Court issued a preliminary ruling denying the plaintiffs' motion for class certification. However, before issuing a final ruling on class certification, the Court granted our motion for summary judgment with respect to all of the plaintiffs' claims. Subsequently, we filed a motion for attorney's fees which was denied by the Court. The plaintiffs filed a notice of appeal of the court's granting of our motion for summary judgment and we cross-appealed the Court's ruling on our motion for attorney's fees. It is not possible to make a firm assessment of the probable outcome of the appeal or to determine the extent of any potential liability or damages.

State Investigation

During April 2002, two state attorneys general commenced a civil investigation concerning certain of our business practices. Over the course of the next six months, 11 additional states ultimately joined the investigation. The states alleged failure to comply with consumer protection laws based on our call response times and policies, advertising and customer agreement disclosures, policies for handling consumer complaints, issuing rebates and refunds and charging cancellation fees to consumers, and other matters. We cooperated fully in the investigation. During May 2003, we entered into an Assurance of Voluntary Compliance with the states which ended their investigation. The states have released all claims related to the matters investigated. We made a settlement payment of approximately $5.0 million during the second quarter of 2003 pursuant to the Assurance.

Retailer Class Actions

We have been sued by retailers in three separate purported class actions. During October 2000, two separate lawsuits were filed in the Arapahoe County District Court in the State of Colorado and the United States District Court for the District of Colorado, respectively, by Air Communication & Satellite, Inc. and John DeJong, et al. on behalf of themselves and a class of persons similarly situated. The plaintiffs are attempting to certify nationwide classes on behalf of certain of our satellite hardware retailers. The plaintiffs are requesting the Courts to declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs, and other compensation. We are vigorously defending against the suits and have asserted a variety of counterclaims. The United States District Court for the District of Colorado stayed the Federal Court action to allow the parties to pursue a comprehensive adjudication of their dispute in the Arapahoe County State Court. John DeJong, d/b/a Nexwave, and Joseph Kelley, d/b/a Keltronics, subsequently intervened in the Arapahoe County Court action as plaintiffs and proposed class representatives. We have filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs have filed a motion for additional time to conduct

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discovery to enable them to respond to our motion. The Court has not ruled on either of the two motions. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Satellite Dealers Supply, Inc. ("SDS") filed a lawsuit against us in the United States District Court for the Eastern District of Texas during September 2000, on behalf of itself and a class of persons similarly situated. The plaintiff was attempting to certify a nationwide class on behalf of sellers, installers, and servicers of satellite equipment who contract with us and who allege that we: (1) charged back certain fees paid by members of the class to professional installers in violation of contractual terms; (2) manipulated the accounts of subscribers to deny payments to class members; and (3) misrepresented, to class members, the ownership of certain equipment related to the provision of our satellite television service. During September 2001, the Court granted our motion to dismiss for lack of personal jurisdiction. The plaintiff moved for reconsideration of the Court's order dismissing the case. The Court denied the plaintiff's motion for reconsideration. The trial court denied our motions for sanctions against SDS. Both parties have now perfected appeals before the Fifth Circuit Court of Appeals. The parties' written briefs have been filed and oral argument was heard by the Court on August 4, 2003. It is not possible to make a firm assessment of the probable outcome of the appeals or to determine the extent of any potential liability or damages.

StarBand Shareholder Lawsuit

On August 20, 2002, a limited group of shareholders in StarBand filed an action in the Delaware Court of Chancery against EchoStar and EchoBand Corporation, together with four EchoStar executives who sat on the Board of Directors for StarBand, for alleged breach of the fiduciary duties of due care, good faith and loyalty, and also against EchoStar and EchoBand Corporation for aiding and abetting such alleged breaches. Two of the individual defendants, Charles W. Ergen and David K. Moskowitz, are members of our Board of Directors. The action stems from the defendants' involvement as directors, and EchoBand's position as a shareholder, in StarBand, a broadband Internet satellite venture in which we invested. On July 28, 2003 the Court granted the defendants' motion to dismiss on all counts. We do not know if Plaintiffs will appeal the Court's decision.

Shareholder Derivative Action

During October 2002, a purported shareholder filed a derivative action against members of our Board of Directors in the United States District Court of Clark County, Nevada and naming us as a nominal defendant. The complaint alleges breach of fiduciary duties, corporate waste and other unlawful acts relating to our agreement to (1) pay Hughes Electronics Corporation a $600.0 million termination fee in certain circumstances and (2) acquire Hughes' shareholder interest in PanAmSat. The agreements to pay the termination fee and acquire PanAmSat were required in the event that the merger with DirecTV was not completed by January 21, 2003. During July 2003, the individual Board of Director defendants were dismissed from the suit. The plaintiff has filed a motion for attorney's fees. It is not possible to make an assessment of the probable outcome of the outstanding motions or to determine the extent of any potential liability or damages.

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial position, results of operations or liquidity.

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9. Depreciation and Amortization Expense

Depreciation and amortization expense consists of the following:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
	(In thousands)		(In thousands)	
Satellites	$31,946	$ 36,003	$ 60,204	$ 72,012
Digital Home Plan equipment	30,524	37,635	58,784	72,819
Furniture, fixtures and equipment	21,355	22,808	42,034	45,971
Other amortizable intangibles	2,667	2,638	5,659	5,070
Buildings and improvements	830	910	1,634	1,824
Tooling and other	659	305	1,203	769
Depreciation and amortization expense	$87,981	$100,299	$169,518	$198,465

Cost of sales and operating expense categories included in our accompanying condensed consolidated statements of operations do not include depreciation expense related to satellites or digital home plan equipment.

10. Segment Reporting

Financial Data by Business Unit

Statement of Financial Accounting Standard No. 131, “Disclosures About Segments of an Enterprise and Related Information” (“FAS No. 131”) establishes standards for reporting information about operating segments in annual financial statements of public business enterprises and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Under this definition, we currently operate as two business units, DISH Network and ETC. The All other category consists of revenue and expenses from other operating segments for which the disclosure requirements of FAS No. 131 do not apply.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2002	2003	2002	2003
	(In thousands)		(In thousands)	
Revenue				
DISH Network	$1,111,200	$1,366,490	$2,157,297	$2,680,807
ETC	35,336	25,742	64,625	44,700
All other	23,588	24,787	54,173	52,584
Eliminations	(1,440)	(2,452)	(2,943)	(4,476)
Total revenue	$1,168,684	$1,414,567	$2,273,152	$2,773,615
Net income				
DISH Network	$ 25,882	$ 122,683	$ (18,686)	$ 177,893
ETC	6,052	(381)	8,069	(5,915)
All other	5,067	6,491	12,471	14,732
Eliminations	—	—	—	—
Total net income	$ 37,001	$ 128,793	$ 1,854	$ 186,710

ECHOSTAR COMMUNICATIONS CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — Continued
(Unaudited)

11. Subsequent Events

SBC Agreement

During July 2003, we announced an agreement with SBC Communications, Inc. to co-brand our DISH Network service with SBC Communications' telephony, high-speed data and other communications services. SBC Communications will market the bundled service, including integrated order-entry, customer service and billing, which is expected to be available to consumers in early 2004.

Pursuant to the agreement, SBC Communications will purchase set-top box equipment from us to sell to bundled service customers. SBC Communications also may choose to outsource installation and certain customer service functions to us for a fee. As part of the agreement, SBC Communications will pay us development and implementation fees for, among other things, product development and integration.

SBC Convertible Subordinated Note

On July 21, 2003, we issued and sold a $500.0 million 3.0% convertible subordinated note due 2010 to SBC Communications in a privately negotiated transaction. The note is an unsecured obligation convertible into approximately 6.87 million shares of our Class A Common Stock at the option of SBC at $72.82 per share, subject to adjustment in certain circumstances. Commencing July 21, 2008, we may redeem, and SBC may require us to purchase, all or a portion of the note without premium.

Partial Redemption of 9 1/8% Senior Notes

On August 4, 2003, EDBS elected to redeem $245.0 million principal amount of its 9 1/8% Senior Notes due 2009, fully exercising its optional partial redemption right. The outstanding principal amount of the notes after the redemption will be $455.0 million. In accordance with the terms of the indenture governing the notes, the $245.0 million principal amount of the notes will be redeemed effective September 3, 2003, at 109.125% of the principal amount, for a total of approximately $267.4 million. Interest on the notes will be paid through the September 3, 2003 redemption date.

EchoStar IX

EchoStar IX was successfully launched on August 7, 2003. Assuming successful completion of on orbit check out, EchoStar IX will be located at the 121 degree orbital location. Its 32 Ku-band transponders are expected to provide additional video service choices for DISH Network subscribers utilizing a new specially-designed dish. EchoStar IX is also equipped with two Ka-band transponders which we intend to utilize to confirm the commercial viability of direct-to-home Ka-band video and data services.

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

Principal Business

The operations of EchoStar Communications Corporation ("ECC", and together with its subsidiaries or referring to particular subsidiaries in certain circumstances, "EchoStar", the "Company", "we", "us", and/or "our") include two interrelated business units:

- *The DISH Network* — which provides a direct broadcast satellite subscription television service we refer to as "DBS" in the United States; and
- *EchoStar Technologies Corporation* ("ETC") — which designs and develops DBS set-top boxes, antennae and other digital equipment for the DISH Network. We refer to this equipment collectively as "EchoStar receiver systems." ETC also designs, develops and distributes similar equipment for international satellite service providers.

Since 1994, we have deployed substantial resources to develop the "EchoStar DBS System." The EchoStar DBS System consists of our FCC-allocated DBS spectrum, nine in-orbit satellites ("EchoStar I" through "EchoStar IX"), EchoStar receiver systems, digital broadcast operations centers, customer service facilities, and other assets utilized in our operations. Our principal business strategy is to continue developing our subscription television service in the United States to provide consumers with a fully competitive alternative to cable television service.

Results of Operations

Three Months Ended June 30, 2003 Compared to the Three Months Ended June 30, 2002.

Total revenue. Total revenue for the three months ended June 30, 2003 was $1.41 billion, an increase of $245.9 million or 21.0% compared to the three months ended June 30, 2002. This increase was attributable to continued DISH Network subscriber growth and increased monthly average revenue per subscriber. The increase was partially offset by a decrease in DTH equipment sales, discussed below.

Subscription television services. Subscription television services revenue consists principally of revenue from basic, premium, local, international and pay-per-view subscription television services. Subscription television services revenue totaled $1.34 billion for the three months ended June 30, 2003, an increase of $268.8 million or 25.1% compared to the same period in 2002. This increase was attributable to continued DISH Network subscriber growth and an increase in monthly average revenue per subscriber, discussed below. DISH Network added approximately 270,000 net new subscribers for the three months ended June 30, 2003 compared to approximately 295,000 net new subscribers added during the same period in 2002. As of June 30, 2003, we had approximately 8.80 million DISH Network subscribers compared to approximately 7.46 million at June 30, 2002, an increase of approximately 18.0%. Subscription television services revenue will continue to increase to the extent we are successful in increasing the number of DISH Network subscribers and maintaining or increasing revenue per subscriber.

Monthly average revenue per subscriber. Monthly average revenue per subscriber was approximately $51.60 during the three months ended June 30, 2003 and approximately $48.85 during the same period in 2002. This increase was attributable to price increases in March 2003 and a reduction in the amount of free and discounted programming offered during the three months ended June 30, 2003 compared to the same period in 2002. This increase was also attributable to an increase in the number of subscribers with multiple set-top boxes. Monthly average revenue per subscriber will be adversely affected in any future periods to the extent we continue our free programming promotions or expand our discounted programming promotions.

Impacts from our litigation with the networks in Florida, FCC rules governing the delivery of superstations and other factors could cause us to terminate delivery of network channels and superstations to a substantial number of our subscribers, which could cause many of those customers to cancel their subscription to our other services. Particularly, but without limitation, in the event the Court of Appeals does not stay the Miami District Court's network litigation injunction, and if we do not reach private settlement agreements with additional stations, we will attempt to assist subscribers in arranging alternative means to receive network channels. Termination of distant network programming to subscribers would result in a reduction in ARPU of no more than $0.30 per subscriber per month.

In April 2002, the FCC concluded that our "must carry" implementation methods were not in compliance with the "must carry" rules. If the FCC finds our subsequent remedial actions unsatisfactory, while we would attempt to continue providing local network channels in all markets without interruption, we could be forced by capacity constraints to reduce the number of markets in which we provide local channels. This could cause a temporary increase in churn and a small reduction in average monthly revenue per subscriber.

DTH equipment sales. DTH equipment sales consist of sales of digital set-top boxes by our ETC subsidiary to Bell ExpressVu, a subsidiary of Bell Canada, Canada's national telephone company. DTH equipment sales also include sales of DBS accessories in the United States. For the three months ended June 30, 2003, DTH equipment sales totaled $50.8 million, a decrease of $17.4 million compared to the same period during 2002. This decrease resulted from a decrease in sales of digital set-top boxes to Bell ExpressVu and a decrease in sales of DBS accessories.

Subscriber-related expenses. Subscriber-related expenses include costs incurred in the operation of our DISH Network customer service centers, programming expenses, copyright royalties, residual commissions, and billing, lockbox and other variable subscriber expenses. Subscriber-related expenses totaled $654.7 million during the three months ended June 30, 2003, an increase of $112.2 million compared to the same period in 2002. This increase is primarily attributable to the increase in DISH Network subscribers. These expenses represent 48.8% and 50.6% of Subscription television services revenues during the three months ended June 30, 2003 and 2002, respectively. The decrease in Subscriber-related expenses as a percentage of Subscription television services revenue primarily resulted from the increase in monthly average revenue per subscriber discussed above and increased operating efficiencies.

During the three months ended March 31, 2003, we combined the line item on our Condensed Consolidated Statement of Operations captioned Subscriber-related expenses with the previously included line item captioned Customer service center and other. In addition, at that time we reclassified certain amounts between categories on the Condensed Consolidated Statement of Operations. All prior period amounts have been reclassified to conform to the current year presentation. None of these changes had any impact on Operating income or Net income.

Satellite and transmission expenses. Satellite and transmission expenses include expenses associated with the operation of our digital broadcast centers and contracted satellite telemetry, tracking and control services. Satellite and transmission expenses totaled $16.3 million during the three months ended June 30, 2003, a $1.2 million increase compared to the same period in 2002. This increase primarily resulted from the launch of additional local markets. Satellite and transmission expenses totaled 1.2% and 1.4% of Subscription television services revenue during each of the three months ended June 30, 2003 and 2002, respectively. These expenses will increase in future periods as a result of our agreement with SES Americom (see Note 8 to the Condensed Consolidated Financial Statements for further discussion). These expenses could increase further in the future as additional satellites are placed in service, additional local markets are launched, to the extent we successfully obtain commercial in-orbit insurance and to the extent we increase the operations at our digital broadcast centers in order, among other reasons, to meet the demands of current "must carry" requirements.

Cost of sales — DTH equipment. Cost of sales — DTH equipment principally includes costs associated with digital set-top boxes and related components sold to an international DTH operator and sales of DBS accessories. Cost of sales — DTH equipment totaled $33.5 million during the three months ended June 30, 2003, a decrease of $10.6 million compared to the same period in 2002. This decrease related primarily to a decrease in sales of digital set-top boxes to Bell ExpressVu and a decrease in sales of DBS accessories. Cost of sales — DTH equipment represented 66.0% and 64.7% of DTH equipment sales during the three months ended June 30, 2003 and 2002, respectively. The increase in this expense to revenue ratio is primarily attributable to a non-recurring reduction in the cost of DTH equipment of approximately $1.5 million during the three months ended June 30, 2002.

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

Subscriber acquisition costs. Generally, under most promotions, we subsidize the installation and all or a portion of the cost of EchoStar receiver systems in order to attract new DISH Network subscribers. There is no clear industry standard used in the calculation of subscriber acquisition costs. Our subscriber acquisition costs include Cost of sales — subscriber promotion subsidies, Other subscriber promotion subsidies and Subscriber acquisition advertising expenses. Cost of sales — subscriber promotion subsidies includes the cost of EchoStar receiver systems sold to retailers and other distributors of our equipment and receiver systems sold directly by us to subscribers. Other subscriber promotion subsidies includes net costs related to our free installation promotion and other promotional incentives. During the three months ended March 31, 2003, certain amounts previously included in Subscriber acquisition costs were reclassified to Subscriber related expenses on the Condensed Consolidated Statements of Operations. All prior period amounts have been reclassified to conform with the current year presentation. None of these changes had any impact on Operating income or Net income.

During the three months ended June 30, 2003, our subscriber acquisition costs totaled approximately $285.7 million, or approximately $408 per new subscriber activation. Comparatively, our subscriber acquisition costs during the three months ended June 30, 2002 totaled approximately $248.3 million, or approximately $386 per new subscriber activation. This increase is primarily attributable to an increase in sales pursuant to promotions under which subscribers receive equipment at reduced or no cost, as opposed to promotions where the subscriber leases our equipment. This increase is also attributable to an increase in acquisition marketing compared to the same period in 2002. Subscriber acquisition costs during the three months ended June 30, 2003 include a benefit of approximately $34.4 million primarily related to the receipt of a reimbursement payment for previously sold set-top box equipment pursuant to a litigation settlement. Subscriber acquisition costs during the same period in 2002 include an adjustment of approximately $16.8 million resulting from the completion of royalty arrangements with more favorable terms than estimated amounts previously accrued. Our subscriber acquisition costs, both in the aggregate and on a per-new-subscriber activation basis, may materially increase in the future to the extent that we introduce more aggressive promotions to respond to competition, or for other reasons.

We exclude equipment capitalized under our lease promotion from our calculation of subscriber acquisition costs. We also exclude payments and certain returned equipment received from disconnecting lease promotion subscribers from our calculation of subscriber acquisition costs. Equipment capitalized under our lease promotion totaled approximately $28.8 million and $88.9 million for the three months ended June 30, 2003 and 2002, respectively. Returned equipment received from disconnecting lease promotion subscribers, which became available for sale through other promotions rather than being redeployed through the lease promotion, together with payments received in connection with equipment not returned, totaled approximately $5.3 million and $9.3 million during the three months ended June 30, 2003 and 2002, respectively.

General and administrative expenses. General and administrative expenses totaled $89.1 million during the three months ended June 30, 2003, an increase of $18.8 million compared to the same period in 2002. This increase was principally attributable to increased personnel and infrastructure expenses to support the growth of the DISH Network. General and administrative expenses represented 6.3% of Total revenue during the three months ended June 30, 2003 as compared to 6.0% during the three months ended June 30, 2002.

During the three months ended March 31, 2003, certain amounts previously included in General and administrative expenses were reclassified to Subscriber-related expenses on the Condensed Consolidated Statements of Operations. All prior period amounts have been reclassified to conform to the current year presentation. None of these changes had any impact on Operating income or Net income.

Non-cash, Stock-based Compensation. During 1999, we adopted an incentive plan under our 1995 Stock Incentive Plan, which provided certain key employees with incentives including stock options. During the three months ended June 30, 2003 and 2002, we recognized approximately ($0.2) million and $2.2 million, respectively, of compensation under this performance-based plan. This decrease is primarily attributable to stock option forfeitures resulting from employee terminations. The remaining deferred compensation of $4.7 million as of June 30, 2003, which will be reduced by future forfeitures, if any, will be recognized over the remaining vesting period, ending on March 31, 2004.

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

We report all non-cash compensation based on stock option appreciation as a single expense category in our accompanying statements of operations. The following table indicates the other expense categories in our statements of operations that would be affected if non-cash, stock-based compensation was allocated to the same expense categories as the base compensation for key employees who participate in the 1999 incentive plan.

	For the Three Months Ended June 30,	
	2003	2002
	(In thousands)	
Subscriber-related	$(201)	$ 183
Satellite and transmission	90	182
General and administrative	(106)	1,804
	$(217)	$2,169

In addition, options to purchase 8.3 million shares were outstanding as of June 30, 2003 and were granted with exercise prices equal to the market value of the underlying shares on the dates they were issued during 1999, 2000 and 2001 pursuant to a separate long-term incentive plan under our 1995 Stock Incentive Plan. The weighted-average exercise price of these options is $8.85. Vesting of these options is contingent upon meeting certain longer-term goals which have not yet been achieved. Consequently, no compensation was recorded during the three months ended June 30, 2003 related to these long-term options. We will record the related compensation at the achievement, if ever, of the performance goals. Such compensation, if recorded, would likely result in material non-cash, stock-based compensation expense in our statements of operations.

Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is defined as Net income (loss) plus net Interest expense, Taxes and Depreciation and amortization. Effective January 1, 2003, we include Non-cash, stock-based compensation expense in our definition of EBITDA. Effective April 1, 2003, we include Other income and expense items and Change in valuation of contingent value rights in our definition of EBITDA. All prior amounts conform to the current presentation. EBITDA was $325.0 million during the three months ended June 30, 2003, compared to $222.2 million during the same period in 2002. This improvement was directly attributable to the increase in the number of DISH Network subscribers, which continues to result in revenue sufficient to support the cost of new and existing subscribers. The improvement was partially offset by a decrease in subscribers leasing equipment and a corresponding increase in equipment subsidies compared to the same period in 2002, as well as a decrease in DTH equipment sales. EBITDA does not include the impact of capital expenditures under our lease promotion of approximately $28.8 million and $88.9 million during the three months ended June 30, 2003 and 2002, respectively. As previously discussed, to the extent we introduce more aggressive marketing promotions and our subscriber acquisition costs materially increase, our EBITDA results will be negatively impacted because subscriber acquisition costs are generally expensed as incurred.

The following table reconciles EBITDA to Net income (loss):

	For the Three Months Ended June 30,	
	2003	2002
	(In thousands)	
EBITDA	$325,005	$222,212
Less:		
Interest expense, net	92,756	86,936
Income tax provision, net	3,157	10,294
Depreciation and amortization	100,299	87,981
Net income	$128,793	$ 37,001

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and is believed to be a helpful measure for those evaluating companies in the multi-channel video programming distribution industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures because EBITDA is independent of the actual leverage and capital expenditures employed by the business. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Depreciation and Amortization. Depreciation and amortization expense totaled $100.3 million during the three months ended June 30, 2003, a $12.3 million increase compared to the same period in 2002. This increase primarily resulted from an increase in depreciation related to the commencement of commercial operation of EchoStar VIII in October 2002 and leased equipment and other depreciable assets placed in service during 2002 and 2003.

Other Income and Expense. Other expense, net, totaled $91.0 million during the three months ended June 30, 2003, an improvement of $8.1 million compared to the same period in 2002. This improvement is primarily attributable to a decrease in Interest expense of approximately $8.7 million related to the redemption of our 9 1/4% senior notes due 2006, during February 2003. This improvement was partially offset by a reduction in the amount of interest capitalized during the three months ended June 30, 2003 as compared to the same period in 2002. Interest is capitalized during the construction phase of a satellite and ceases to be capitalized upon commercial operation of the satellite. Therefore, once EchoStar VIII commenced commercial operation during October 2002, we ceased capitalizing interest related to this satellite. The expensing of this previously capitalized interest resulted in an increase in Interest expense which was also partially offset by the cessation of interest costs related to our merger financing activities. Interest income decreased primarily as a result of lower cash balances in 2003 as compared to 2002. Change in valuation of contingent value rights decreased as a result of the repurchase of the Series D convertible preferred stock during December 2002.

Net income (loss). Net income was $128.8 million during the three months ended June 30, 2003, an increase of $91.8 million compared to the same period in 2002. The increase was primarily attributable to an increase in Operating income and a decrease in Other income and expense, the components of which are discussed above.

Net income (loss) available (attributable) to common shareholders. Net income available to common shareholders was $128.8 million during the three months ended June 30, 2003, an increase of $91.8 million compared to the same period in 2002. The increase was primarily attributable to the improvement in Net income (loss) discussed above.

Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002.

Total revenue. Total revenue for the six months ended June 30, 2003 was $2.77 billion, an increase of $500.5 million or 22.0% compared to the six months ended June 30, 2002. This increase was attributable to continued DISH Network subscriber growth and increased monthly average revenue per subscriber. The increase was partially offset by a decrease in DTH equipment sales, discussed below.

Subscription television services. Subscription television services revenue totaled $2.63 billion for the six months ended June 30, 2003, an increase of $542.8 million or 26.0% compared to the same period in 2002. This increase was attributable to continued DISH Network subscriber growth and an increase in monthly average revenue per subscriber.

DTH equipment sales. For the six months ended June 30, 2003, DTH equipment sales totaled $91.5 million, a decrease of $33.6 million compared to the same period during 2002. This decrease resulted from a decrease in sales of digital set-top boxes to Bell ExpressVu and a decrease in sales of DBS accessories.

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

Subscriber-related expenses. Subscriber-related expenses totaled $1.29 billion during the six months ended June 30, 2003, an increase of $235.2 million compared to the same period in 2002. This increase is primarily attributable to the increase in DISH Network subscribers. These expenses represented 48.9% and 50.4% of Subscription television services revenues during the six months ended June 30, 2003 and 2002, respectively. The decrease in Subscriber-related expenses as a percentage of Subscription television services revenue primarily resulted from the increase in monthly average revenue per subscriber discussed above and increased operating efficiencies.

Satellite and transmission expenses. Satellite and transmission expenses totaled $32.3 million during the six months ended June 30, 2003, a $3.7 million increase compared to the same period in 2002. This increase primarily resulted from the launch of additional local markets. Satellite and transmission expenses totaled 1.2% and 1.4% of Subscription television services revenue during the six months ended June 30, 2003 and 2002, respectively.

Cost of sales — DTH equipment. Cost of sales — DTH equipment totaled $61.4 million during the six months ended June 30, 2003, a decrease of $22.1 million compared to the same period in 2002. This decrease related primarily to a decrease in sales of digital set-top boxes to Bell ExpressVu and a decrease in sales of DBS accessories. Cost of sales — DTH equipment represented 67.0% and 66.7% of DTH equipment sales during the six months ended June 30, 2003 and 2002, respectively. The increase in this expense to revenue ratio is primarily attributable to a non-recurring reduction in the cost of DTH equipment of approximately $1.5 million during the six months ended June 30, 2002.

Subscriber acquisition costs. During the six months ended June 30, 2003, our subscriber acquisition costs totaled approximately $593.9 million, or approximately $428 per new subscriber activation. Comparatively, our subscriber acquisition costs during the six months ended June 30, 2002 totaled approximately $514.7 million, or approximately $407 per new subscriber activation. This increase is primarily attributable to an increase in sales pursuant to promotions under which customers receive equipment at reduced or no cost to the subscriber, as opposed to promotions where the subscriber leases our equipment. This increase is also attributable to an increase in acquisition marketing compared to the same period in 2002. Subscriber acquisition costs during the six months ended June 30, 2003 include a benefit of approximately $34.4 million primarily related to the receipt of a reimbursement payment for previously sold set-top box equipment pursuant to a litigation settlement. Subscriber acquisition costs during the same period in 2002 include an adjustment of approximately $16.8 million resulting from the completion of royalty arrangements with more favorable terms than estimated amounts previously accrued.

We exclude equipment capitalized under our lease promotion from our calculation of subscriber acquisition costs. We also exclude payments and certain returned equipment received from disconnecting lease promotion subscribers from our calculation of subscriber acquisition costs. Equipment capitalized under our lease promotion totaled approximately $55.6 million and $165.5 million for the six months ended June 30, 2003 and 2002, respectively. Returned equipment received from disconnecting lease promotion subscribers, which became available for sale through other promotions rather than being redeployed through the lease promotion, together with payments received in connection with equipment not returned, totaled approximately $11.2 million and $20.8 million during the six months ended June 30, 2003 and 2002, respectively.

General and administrative expenses. General and administrative expenses totaled $171.5 million during the six months ended June 30, 2003, an increase of $22.2 million compared to the same period in 2002. This increase was principally attributable to increased personnel and infrastructure expenses to support the growth of the DISH Network. General and administrative expenses represented 6.2% of Total revenue during the six months ended June 30, 2003 as compared to 6.6% during the six months ended June 30, 2002.

Non-cash, Stock-based Compensation. During 1999, we adopted an incentive plan under our 1995 Stock Incentive Plan, that provided certain key employees with incentives including stock options. During the six months ended June 30, 2003 and 2002, we recognized approximately $1.8 million and $3.8 million, respectively, of compensation under this performance-based plan. This decrease is primarily attributable to stock option forfeitures resulting from employee terminations. The remaining deferred compensation of $4.7 million as of June 30, 2003, which will be reduced by future forfeitures, if any, will be recognized over the remaining vesting period, ending on March 31, 2004.

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

We report all non-cash compensation based on stock option appreciation as a single expense category in our accompanying statements of operations. The following table indicates the other expense categories in our statements of operations that would be affected if non-cash, stock-based compensation was allocated to the same expense categories as the base compensation for key employees who participate in the 1999 incentive plan.

	For the Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Subscriber-related	$ (111)	$ 365
Satellite and transmission	179	(372)
General and administrative	1,704	3,842
	$1,772	$3,835

Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is defined as Net income (loss) plus net Interest expense, Taxes and Depreciation and amortization. Effective January 1, 2003, we include Non-cash, stock-based compensation expense in our definition of EBITDA. Effective April 1, 2003, we include Other income and expense items and Change in valuation of contingent value rights in our definition of EBITDA. All prior amounts conform to the current presentation. EBITDA was $601.3 million during the six months ended June 30, 2003, compared to $368.3 million during the same period in 2002. This improvement was directly attributable to the increase in the number of DISH Network subscribers, which continues to result in revenue sufficient to support the cost of new and existing subscribers. The improvement was partially offset by a decrease in subscribers leasing equipment and a corresponding increase in equipment subsidies compared to the same period in 2002, as well as a decrease in DTH equipment sales. EBITDA does not include the impact of capital expenditures under our lease promotion of approximately $55.6 million and $165.5 million during the six months ended June 30, 2003 and 2002, respectively.

The following table reconciles EBITDA to Net income (loss):

	For the Six Months Ended June 30,	
	2003	2002
	(In thousands)	
EBITDA	$601,305	$368,267
Less:		
Interest expense, net	207,741	186,376
Income tax provision, net	8,389	10,519
Depreciation and amortization	198,465	169,518
Net income	$186,710	$ 1,854

EBITDA is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for operating income, net income or any other measure determined in accordance with GAAP. EBITDA is used as a measurement of operating efficiency and overall financial performance and is believed to be a helpful measure for those evaluating companies in the multi-channel video programming distribution industry. Conceptually, EBITDA measures the amount of income generated each period that could be used to service debt, pay taxes and fund capital expenditures because EBITDA is independent of the actual leverage and capital expenditures employed by the business. EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Depreciation and Amortization. Depreciation and amortization expense totaled $198.5 million during the six months ended June 30, 2003, a $28.9 million increase compared to the same period in 2002. This increase primarily resulted from an increase in depreciation related to the commencement of commercial operation of EchoStar VII in April 2002, commencement of commercial operations of EchoStar VIII in October 2002 and leased equipment and other depreciable assets placed in service during 2002 and 2003.

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

Other Income and Expense. Other expense, net, totaled $206.6 million during the six months ended June 30, 2003, an improvement of $22.7 million compared to the same period in 2002. The improvement primarily resulted from a reduction in Other expense totaling $35.2 million related to reduced net losses on marketable and non-marketable investment securities and reduced equity in losses of affiliates. The improvement also resulted from a decrease of approximately $14.5 million in Interest expense as a result of the redemption of our 9 1/4% senior notes due 2006, during February 2003. This improvement was partially offset by $20.6 million of additional costs associated with the redemption of our 9 1/4% senior notes (see Note 7 to the Condensed Consolidated Financial Statements for further discussion) and a reduction in the amount of interest capitalized during the six months ended June 30, 2003 as compared to the same period in 2002. Interest is capitalized during the construction phase of a satellite and ceases to be capitalized upon commercial operation of the satellite. Therefore, once EchoStar VII and EchoStar VIII commenced commercial operation during April 2002 and October 2002, respectively, we ceased capitalizing interest related to these satellites. The expensing of this previously capitalized interest resulted in an increase in Interest expense which was also partially offset by the cessation of interest costs related to our merger financing activities. Interest income decreased primarily as a result of lower cash balances in 2003 as compared to 2002. Change in valuation of contingent value rights decreased as a result of the repurchase of the Series D convertible preferred stock later during 2002.

Net income (loss). Net income was $186.7 million during the six months ended June 30, 2003, an increase of $184.9 million compared to the same period in 2002. The increase was primarily attributable to an increase in Operating income and a decrease in Other income and expense, the components of which are discussed above.

Net income (loss) available (attributable) to common shareholders. Net income available to common shareholders was $186.7 million during the six months ended June 30, 2003, an increase of $246.7 million compared to the same period in 2002. The increase was primarily attributable to the improvement in Net income (loss) discussed above. In addition, Net income (loss) available (attributable) to common shareholders during the six months ended June 30, 2002 was negatively impacted by a one-time beneficial conversion feature charge associated with issuance of our Series D convertible preferred stock. Our Series D convertible preferred stock was subsequently repurchased during December 2002.

LIQUIDITY AND CAPITAL RESOURCES

Cash Sources

As of June 30, 2003, our restricted and unrestricted cash, cash equivalents and marketable investment securities totaled $2.82 billion, including $135.2 million of cash reserved for satellite insurance and approximately $10.0 million of other restricted cash, compared to $2.85 billion, including $151.4 million of cash reserved for satellite insurance and $10.0 million of other restricted cash, as of December 31, 2002. For the six months ended June 30, 2003 and 2002, we reported Net cash flows from operating activities of $433.3 million and $366.9 million, respectively.

Free Cash Flow

We define free cash flow as Net cash flows from operating activities less Purchases of property and equipment, as shown on our Condensed Consolidated Statements of Cash Flows. We believe free cash flow is an important metric because it measures during a given period the amount of cash generated that is available for debt obligations and investments other than purchases of property and equipment. Free cash flow is not a measure determined in accordance with accounting principles generally accepted in the United States, or GAAP, and should not be considered a substitute for Operating income, Net income, Net cash flows from operating activities or any other measure determined in accordance with GAAP. We believe this non-GAAP liquidity measure is useful in addition to the most directly comparable GAAP measure of Net cash flows from operating activities because free cash flow includes investments in operational assets. Free cash flow does not represent residual cash available for discretionary expenditures, since it excludes cash required for debt service. Free cash flow also excludes cash which may be necessary for acquisitions, investments and other needs that may arise.

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

Free cash flow was $276.0 million and $122.3 million for the six months ended June 30, 2003 and 2002, respectively. The increase of approximately $153.7 million from the same period in 2002 resulted from a decrease in Purchases of property and equipment of approximately $87.3 million and an increase in Net cash flows from operating activities of approximately $66.4 million. The decrease in Purchases of property and equipment was primarily attributable to reduced spending on the construction of satellites and the capitalization of less equipment under our lease promotion. The increase in Net cash flows from operating activities primarily related to an increase in net income for the six months ended June 30, 2003 compared to the same period in 2002 as discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations. This increase was partially offset by a decrease in the change in operating assets and liabilities compared to the same period in 2002, as well as the $50.0 million satellite deposit paid to SES Americom in 2003 (see Note 8 to the Condensed Consolidated Financial Statements for further discussion). The following table reconciles free cash flow to Net cash flows from operating activities.

	For the Six Months Ended June 30,	
	2003	2002
	(In thousands)	
Free cash flow	$275,973	$122,274
Add back:		
Purchases of property and equipment	157,289	244,585
Net cash flows from operating activities	$433,262	$366,859

During the six months ended June 30, 2003 and 2002, free cash flow was positively impacted by material changes in operating assets and liabilities as shown in the Net cash flows from operating activities section of our Condensed Consolidated Statements of Cash Flows included herein. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management's timing of payments and receipts and inventory levels. In addition to fluctuations resulting from changes in operating assets and liabilities, free cash flow can vary significantly from period to period depending upon, among other things, subscriber growth, subscriber revenue, subscriber churn, operating efficiencies, increases or decreases in purchases of property and equipment and other factors.

Our free cash flow during the third quarter of 2003 will benefit from a non-recurring $30.0 million prepayment received for services to be provided to third parties, which will be substantially offset by expenditures related to services to be performed during the third and fourth quarters of 2003. Impacts from our litigation with the networks in Florida, FCC rules governing the delivery of superstations and other factors could cause us to terminate delivery of network channels and superstations to a substantial number of our subscribers, which could cause many of those customers to cancel their subscription to our other services. Particularly, but without limitation, in the event the Court of Appeals does not stay the Miami District Court's network litigation injunction, and if we do not reach private settlement agreements with additional stations, we will attempt to assist subscribers in arranging alternative means to receive network channels. However, we cannot predict with any degree of certainty how many subscribers will cancel their primary DISH Network programming as a result of termination of their distant network channels. Termination of distant network programming to subscribers would result in a reduction in ARPU of no more than $0.30 per subscriber per month. While there can be no assurance, we do not expect that those terminations would result in any more than a one percentage point increase in our otherwise anticipated churn over the course of the next 12 months. Our future capital expenditures could increase or decrease depending on the strength of the economy, strategic opportunities or other factors.

Investment Securities

We currently classify all marketable investment securities as available-for-sale. In accordance with generally accepted accounting principles, we adjust the carrying value of our available-for-sale marketable investment securities to fair market value and report the related temporary unrealized gains and losses as a separate component of stockholders' deficit, net of related deferred income tax, if applicable. Declines in the fair market value of a marketable investment security which are estimated to be "other than temporary" must be recognized in the statement of operations, thus establishing a new cost basis for such investment. We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the market value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the fair value of our marketable investment securities compared to the carrying value of these securities, the historical volatility of the price of each security and any market and company specific factors related to each security. Generally, absent specific factors to the contrary, declines in the fair value of investments below cost basis for a period of less than six months are considered to be temporary. Declines in the fair value of investments for a period of six to nine months are evaluated on a case by case basis to determine whether any company or market-specific factors exist which would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for greater than nine months are considered other than temporary and are recorded as charges to earnings, absent specific factors to the contrary.

As of June 30, 2003, we recorded unrealized gains of approximately $65.3 million as a separate component of stockholders' deficit. During the six months ended June 30, 2003, we also recorded an aggregate charge to earnings for other than temporary declines in the fair market value of certain of our marketable investment securities of approximately $2.0 million and established a new cost basis for these securities. This amount does not include realized gains of approximately $2.0 million on the sales of marketable investment securities. Our approximately $2.82 billion of restricted and unrestricted cash, cash equivalents and marketable investment securities include debt and equity securities which we own for strategic and financial purposes. The fair market value of these strategic marketable investment securities aggregated approximately $168.9 million as of June 30, 2003. During the six months ended June 30, 2003, our portfolio generally, and our strategic investments particularly, experienced volatility. If the fair market value of our marketable securities portfolio does not remain above cost basis or if we become aware of any market or company specific factors that indicate that the carrying value of certain of our securities is impaired, we may be required to record charges to earnings in future periods equal to the amount of the decline in fair value.

We also have made strategic equity investments in certain non-marketable investment securities. These securities are not publicly traded. Our ability to realize value from our strategic investments in companies that are not public is dependent on the success of their business and their ability to obtain sufficient capital to execute their business plans. Since private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them that we will not be able to obtain full value for them. We evaluate our non-marketable investment securities on a quarterly basis to determine whether the carrying value of each investment is impaired. This quarterly evaluation consists of reviewing, among other things, company business plans and current financial statements, if available, for factors which may indicate an impairment in our investment. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. During the six months ended June 30, 2003, we did not record any impairment charges with respect to these instruments.

Subscriber Turnover

Our percentage monthly churn for the six months ended June 30, 2003 was approximately 1.51%, compared to our percentage churn for the same period in 2002 of approximately 1.49%. We calculate percentage monthly churn by dividing the number of subscribers who terminate service during the month by total subscribers as of the beginning of the month. We are not aware of any uniform standards for calculating churn and believe presentations of churn may not be calculated consistently by different entities in the same or similar businesses. Impacts from our litigation with the networks in Florida, FCC rules governing the delivery of superstations and other factors could cause us to terminate delivery of network channels and superstations to a substantial number of our subscribers, which could cause many of those customers to cancel their subscription to our other services. Particularly, but without limitation, in the event the Court of Appeals does not stay the Miami District Court's network litigation injunction, and if we do not reach private settlement agreements with additional stations, we will attempt to assist subscribers in arranging alternative means to receive network channels. However, we can not predict with any degree of certainty how many subscribers will cancel their primary DISH Network programming as a result of termination of their distant network channels. While there can be no assurance, we do not expect that those terminations would result in any more than a one percentage point increase in our otherwise anticipated churn over the course of the next 12 months.

Increases in piracy or theft of our signal, or our competitors’ signals, also could cause churn to increase in future periods. In addition, in April 2002, the FCC concluded that our “must carry” implementation methods were not in compliance with the “must carry” rules. If the FCC finds our subsequent remedial actions unsatisfactory, while we would attempt to continue providing local network channels in all markets without interruption, we could be forced by capacity constraints to reduce the number of markets in which we provide local channels. This could cause a temporary increase in churn and a small reduction in average monthly revenue per subscriber. Additionally, as the size of our subscriber base continues to increase, even if percentage churn remains constant, increasing numbers of gross new subscribers are required to sustain net subscriber growth.

Subscriber Acquisition Costs

As previously described, we generally subsidize the cost and installation of EchoStar receiver systems in order to attract new DISH Network subscribers. Our average subscriber acquisition costs were approximately $428 per new subscriber activation during the six months ended June 30, 2003. While there can be no assurance, we believe continued tightening of credit requirements, together with promotions tailored towards subscribers with multiple receivers, will attract better long-term subscribers. Our subscriber acquisition costs, both in the aggregate and on a per new subscriber activation basis, may materially increase to the extent that we introduce more aggressive promotions if we determine that they are necessary to respond to competition, or for other reasons.

We exclude equipment capitalized under our lease promotion from our calculation of subscriber acquisition costs. We also exclude payments and certain returned equipment received from disconnecting lease promotion subscribers from our calculation of subscriber acquisition costs. Equipment capitalized under our lease promotion totaled approximately $55.6 million and $165.5 million for the six months ended June 30, 2003 and 2002, respectively. Returned equipment received from disconnecting lease promotion subscribers, which became available for sale through other promotions rather than being redeployed through the lease promotion, together with payments received in connection with equipment not returned, totaled approximately $11.2 million and $20.8 million during the six months ended June 30, 2003 and 2002, respectively.

Funds necessary to meet subscriber acquisition costs are expected to be satisfied from existing cash and investment balances to the extent available. We may, however, decide to raise additional capital in the future to meet these requirements. If we decide to raise capital today, a variety of debt and equity funding sources would likely be available to us. However, there can be no assurance that additional financing will be available on acceptable terms, or at all, if needed in the future.

Obligations and Future Capital Requirements

The indentures related to certain of EDBS’ senior notes contain restrictive covenants that require us to maintain satellite insurance with respect to at least half of the satellites we own or lease. Eight of our nine in-orbit satellites are currently owned by a direct subsidiary of EDBS. Insurance coverage is therefore required for at least four of EDBS’ eight satellites. The launch and/or in-orbit insurance policies for EchoStar I through EchoStar VIII have expired. We have been unable to obtain insurance on any of these satellites on terms acceptable to us. As a result, we are currently self-insuring these satellites. To satisfy insurance covenants related to EDBS’ senior notes, we have reclassified an amount equal to the depreciated cost of four of our satellites from cash and cash equivalents to cash reserved for satellite insurance on our balance sheet. As of June 30, 2003, cash reserved for satellite insurance totaled approximately $135.2 million. The reclassifications will continue until such time, if ever, as we can again insure our satellites on acceptable terms and for acceptable amounts, or until the covenants requiring the insurance are no longer applicable. We believe we have in-orbit satellite capacity sufficient to expeditiously recover transmission of most programming in the event one of our in-orbit satellites fails. However, the cash reserved for satellite insurance is not adequate to fund the construction, launch and insurance for a replacement satellite in the event of a complete loss of a satellite. Programming continuity cannot be assured in the event of multiple satellite losses.

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

During March 2003, one of our wholly-owned subsidiaries, EchoStar Satellite Corporation ("ESC"), entered into a satellite service agreement with SES Americom for all of the capacity on an FSS satellite to be located at the 105 degree west orbital location. This satellite is scheduled to be launched during the second half of 2004. ESC also agreed to lease all of the capacity on an existing in-orbit FSS satellite at the 105 degree orbital location beginning August 1, 2003 and continuing in most circumstances until the new satellite is launched. ESC intends to use the capacity on the satellites to offer a combination of satellite TV programming including local network channels in additional markets and expanded high definition programming, together with satellite-delivered, high-speed internet services. In connection with the SES agreement, ESC paid $50.0 million to SES Americom to partially fund construction of the new satellite. The ten-year satellite service agreement is renewable by ESC on a year to year basis following the initial term, and provides ESC with certain rights to replacement satellites at the 105 degree west orbital location. We are required to make monthly payments to SES Americom for both the existing in-orbit FSS satellite and also for the new satellite for the ten-year period following its launch.

During July 2003, we entered into a contract for the construction of EchoStar X, a high-powered DBS satellite. Construction is expected to be completed during 2005. With spot-beam capacity, EchoStar X will provide back up protection for our existing local channel offerings, and could allow DISH Network to offer other value added services.

In addition to our DBS business plan, we have a business plan and authorized orbital slots for a two-satellite FSS Ku-band satellite system and a two-satellite FSS Ka-band satellite system. EchoStar IX was successfully launched on August 7, 2003. Assuming successful completion of on orbit check out, EchoStar IX will be located at the 121 degree orbital location. Its 32 Ku-band transponders are expected to provide additional video service choices for DISH Network subscribers utilizing a new specially-designed dish. EchoStar IX is also equipped with two Ka-band transponders which we intend to utilize to confirm the commercial viability of direct-to-home Ka-band video and data services.

We currently own a 90.0% interest in VisionStar, Inc., ("VisionStar") which holds a Ka-band FCC license at the 113 degree orbital location. We did not complete construction or launch of a VisionStar satellite by the applicable FCC milestone deadlines and have requested an extension of these milestones from the FCC. Failure to receive an extension, of which there can be no assurance, would render the license invalid. In the future, we may fund construction, launch and insurance of this and additional satellites through cash from operations, public or private debt or equity financing, joint ventures with others, or from other sources, although there is no assurance that such funding will be available.

As a result of our recent agreements with SES Americom, and for the construction of EchoStar X, our obligations for payments related to satellites have increased substantially. While in certain circumstances the dates on which we are obligated to make these payments could be delayed, the aggregate amount due under all of our existing satellite-related contracts including satellite construction and launch, satellite leases, in-orbit payments to satellite manufacturers and tracking, telemetry and control payments is expected to be approximately $48.0 million for the remainder of 2003, $79.0 million during 2004, $87.0 million during 2005, $72.0 million during 2006, $57.0 million during 2007 and similar amounts in subsequent years. These amounts will increase further when we procure and commence payments for the launch of EchoStar X, and would further increase to the extent we procure insurance for our satellites or contract for the construction, launch or lease of additional satellites.

We expect that our future working capital, capital expenditure and debt service requirements will be satisfied primarily from existing cash and investment balances and cash generated from operations. Our ability to generate positive future operating and net cash flows is dependent upon, among other things, our ability to retain existing DISH Network subscribers. There can be no assurance that we will be successful in achieving any or all of our goals. The amount of capital required to fund our 2003 working capital and capital expenditure needs will vary, depending, among other things, on the rate at which we acquire new subscribers and the cost of subscriber acquisition, including capitalized costs associated with our lease promotion. Our capital expenditures will also vary depending on the number of satellites under construction at any point in time. Our working capital and capital expenditure requirements could increase materially in the event of increased competition for subscription television customers, significant satellite failures, or in the event of continued general economic downturn, among other factors. These factors could require that we raise additional capital in the future.

From time to time, we evaluate opportunities for strategic investments or acquisitions that would complement our current services and products, enhance our technical capabilities or otherwise offer growth opportunities. Future material investments or acquisitions may require that we have additional capital. There can be no assurance that we could raise all required capital or that required capital would be available on acceptable terms.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risks Associated With Financial Instruments

As of June 30, 2003, our restricted and unrestricted cash, cash equivalents and marketable investment securities had a fair value of approximately $2.82 billion. Of that amount, a total of approximately $2.65 billion was invested in: (a) cash; (b) debt instruments of the U.S. Government and its agencies; (c) commercial paper and notes with an overall average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and (d) instruments with similar risk characteristics to the commercial paper described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to fund operations. Consequently, the size of this portfolio fluctuates significantly as cash is received and used in our business.

Our restricted and unrestricted cash, cash equivalents and marketable investment securities had an average annual return for the six months ended June 30, 2003 of approximately 2.4%. A hypothetical 10.0% decrease in interest rates would result in a decrease of approximately $6.2 million in annual interest income. The value of certain of the investments in this portfolio can be impacted by, among other things, the risk of adverse changes in securities and economic markets generally, as well as the risks related to the performance of the companies whose commercial paper and other instruments we hold. However, the high quality of these investments (as assessed by independent rating agencies), reduces these risks. The value of these investments can also be impacted by interest rate fluctuations.

At June 30, 2003, all of the $2.65 billion was invested in fixed or variable rate instruments or money market type accounts. While an increase in interest rates would ordinarily adversely impact the fair value of fixed and variable rate investments, we normally hold these investments to maturity. Consequently, neither interest rate fluctuations nor other market risks typically result in significant realized gains or losses to this portfolio. A decrease in interest rates has the effect of reducing our future annual interest income from this portfolio, since funds would be re-invested at lower rates as the instruments mature. Over time, any net percentage decrease in interest rates could be reflected in a corresponding net percentage decrease in our interest income.

Included in our marketable securities portfolio balance is debt and equity of public and private companies we hold for strategic and financial purposes. As of June 30, 2003, we held strategic and financial debt and equity investments of public companies with a fair value of approximately $168.9 million. We may make additional strategic and financial investments in other debt and equity securities in the future.

The fair value of our strategic debt investments can be impacted by interest rate fluctuations. Absent the effect of other factors, a hypothetical 10.0% increase in LIBOR would result in a decrease in the fair value of our investments in these debt instruments of approximately $6.5 million. The fair value of our strategic and financial debt and equity investments can also be significantly impacted by the risk of adverse changes in securities markets generally, as well as risks related to the performance of the companies whose securities we have invested in, risks associated with specific industries, and other factors. These investments are subject to significant fluctuations in fair market value due to the volatility of the securities markets and of the underlying businesses. A hypothetical 10.0% adverse change in the price of our public strategic debt and equity investments would result in approximately a $16.9 million decrease in the fair value of that portfolio.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK — continued

In accordance with generally accepted accounting principles, we adjust the carrying value of our available-for-sale marketable investment securities to fair market value and report the related temporary unrealized gains and losses as a separate component of stockholders' deficit, net of related deferred income tax, if applicable. Declines in the fair market value of a marketable investment security which are estimated to be "other than temporary" must be recognized in the statement of operations, thus establishing a new cost basis for such investment. We evaluate our marketable investment securities portfolio on a quarterly basis to determine whether declines in the market value of these securities are other than temporary. This quarterly evaluation consists of reviewing, among other things, the fair value of our marketable investment securities compared to the carrying value of these securities, the historical volatility of the price of each security and any market and company specific factors related to each security. Generally, absent specific factors to the contrary, declines in the fair value of investments below cost basis for a period of less than six months are considered to be temporary. Declines in the fair value of investments for a period of six to nine months are evaluated on a case by case basis to determine whether any company or market-specific factors exist which would indicate that such declines are other than temporary. Declines in the fair value of investments below cost basis for greater than nine months are considered other than temporary and are recorded as charges to earnings, absent specific factors to the contrary.

As of June 30, 2003, we recorded unrealized gains of approximately $65.3 million as a separate component of stockholders' deficit. During the six months ended June 30, 2003, we also recorded an aggregate charge to earnings for other than temporary declines in the fair market value of certain of our marketable investment securities of approximately $2.0 million, and established a new cost basis for these securities. This amount does not include realized gains of approximately $2.0 million on the sales of marketable investment securities. Our approximately $2.82 billion of restricted and unrestricted cash, cash equivalents and marketable investment securities include debt and equity securities which we own for strategic and financial purposes. The fair market value of these strategic marketable investment securities aggregated approximately $168.9 million as of June 30, 2003. During the six months ended June 30, 2003, our portfolio generally, and our strategic investments particularly, experienced and continue to experience volatility. If the fair market value of our marketable securities portfolio does not remain above cost basis or if we become aware of any market or company specific factors that indicate that the carrying value of certain of our securities is impaired, we may be required to record charges to earnings in future periods equal to the amount of the decline in fair value.

We also have made strategic equity investments in certain non-marketable investment securities. These securities are not publicly traded. Our ability to realize value from our strategic investments in companies that are not public is dependent on the success of their business and their ability to obtain sufficient capital to execute their business plans. Since private markets are not as liquid as public markets, there is also increased risk that we will not be able to sell these investments, or that when we desire to sell them that we will not be able to obtain full value for them. We evaluate our non-marketable investment securities on a quarterly basis to determine whether the carrying value of each investment is impaired. This quarterly evaluation consists of reviewing, among other things, company business plans and current financial statements, if available, for factors which may indicate an impairment in our investment. Such factors may include, but are not limited to, cash flow concerns, material litigation, violations of debt covenants and changes in business strategy. During the six months ended June 30, 2003, we did not record any impairment charges with respect to these instruments.

As of June 30, 2003, we estimated the fair value of our fixed-rate debt and mortgages and other notes payable to be approximately $5.71 billion using quoted market prices where available, or discounted cash flow analyses. The interest rates assumed in such discounted cash flow analyses reflect interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The fair value of our fixed-rate debt and mortgages is affected by fluctuations in interest rates. A hypothetical 10.0% decrease in assumed interest rates would increase the fair value of our debt by approximately $150.4 million. To the extent interest rates increase, our costs of financing would increase at such time as we are required to refinance our debt. As of June 30, 2003, a hypothetical 10.0% increase in assumed interest rates would increase our annual interest expense by approximately $43.0 million.

We have not used derivative financial instruments for speculative purposes. We have not hedged or otherwise protected against the risks associated with any of our investing or financing activities.

Item 4. CONTROLS AND PROCEDURES

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

PART II — OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

WIC Premium Television Ltd.

During July 1998, a lawsuit was filed by WIC Premium Television Ltd. (“WIC”), an Alberta corporation, in the Federal Court of Canada Trial Division, against General Instrument Corporation, HBO, Warner Communications, Inc., John Doe, Showtime, United States Satellite Broadcasting Company, Inc., EchoStar, and certain EchoStar subsidiaries.

During September 1998, WIC filed another lawsuit in the Court of Queen’s Bench of Alberta Judicial District of Edmonton against certain defendants, including us. WIC is a company authorized to broadcast certain copyrighted work, such as movies and concerts, to residents of Canada. WIC alleges that the defendants engaged in, promoted, and/or allowed satellite dish equipment from the United States to be sold in Canada and to Canadian residents and that some of the defendants allowed and profited from Canadian residents purchasing and viewing subscription television programming that is only authorized for viewing in the United States. The lawsuit seeks, among other things, interim and permanent injunctions prohibiting the defendants from importing satellite receivers into Canada and from activating satellite receivers located in Canada to receive programming, together with damages in excess of $175.0 million.

The Court in the Alberta action denied our motion to dismiss, and our appeal of that decision. The Federal action has been dismissed by the federal court. The Alberta action is pending. We intend to continue to vigorously defend the suit. During 2002, the Supreme Court of Canada ruled that the receipt in Canada of programming from United States pay television providers is prohibited. While we were not a party to that case, the ruling could adversely affect our defense. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Distant Network Litigation

Until July 1998, we obtained feeds of distant broadcast network channels (ABC, NBC, CBS and FOX) for distribution to our customers through PrimeTime 24, an independent third party programming provider. In December 1998, the United States District Court for the Southern District of Florida entered a nationwide permanent injunction requiring that provider to shut off distant network channels to many of its customers, and henceforth to sell those channels to consumers in accordance with the injunction.

In October 1998, we filed a declaratory judgment action against ABC, NBC, CBS and FOX in the United States District Court for the District of Colorado. We asked the Court to find that our method of providing distant network programming did not violate the Satellite Home Viewer Act and hence did not infringe the networks’ copyrights. In November 1998, the networks and their affiliate association groups filed a complaint against us in Miami Federal Court alleging, among other things, copyright infringement. The Court combined the case that we filed in Colorado with the case in Miami and transferred it to the Miami Federal Court. While the networks did not claim monetary damages and none were awarded, they are seeking attorney fees in excess of $6.0 million. It is too early to make an assessment of the probable outcome of the plaintiff’s fee petition or to determine the extent of any potential liability.

In February 1999, the networks filed a Motion for Temporary Restraining Order, Preliminary Injunction and Contempt Finding against DirecTV, Inc. in Miami related to the delivery of distant network channels to DirecTV customers by satellite. DirecTV settled that lawsuit with the networks. Under the terms of the settlement between DirecTV and the networks, some DirecTV customers were scheduled to lose access to their satellite-provided distant network channels by July 31, 1999, while other DirecTV customers were to be disconnected by December 31, 1999. Subsequently, substantially all providers of satellite-delivered network programming other than us agreed to this cut-off schedule, although we do not know if they adhered to this schedule.

In April 2002, we reached a private settlement with ABC, Inc., one of the plaintiffs in the litigation and jointly filed a stipulation of dismissal. In November 2002, we reached a private settlement with NBC, another of the plaintiffs in the litigation and jointly filed a stipulation of dismissal. We have also reached private settlements with a small

PART II — OTHER INFORMATION

number of independent stations and station groups. We were unable to reach a settlement with six of the original eight plaintiffs — CBS, Fox, or the associations affiliated with each of the four networks.

The trial commenced on April 11, 2003 and concluded on April 25, 2003. On June 10, 2003, the Court issued its final judgment. The District Court found that with one exception our current distant network qualification procedures comply with the law. We have revised our procedures to comply with the District Court's Order. Although the plaintiffs asked the District Court to enter an injunction precluding us from selling any local or distant network programming, the District Court refused.

However, the District Court's injunction does require us to use a computer model to requalify, as of June 2003, all of our subscribers who receive ABC, NBC, CBS or Fox programming by satellite from a market other than the city in which the subscriber lives. The Court also invalidated all waivers historically provided by network stations. These waivers, which have been provided by stations for the past several years through a third party automated system, allow subscribers who believe the computer model improperly disqualified them for distant network channels, to none-the-less receive those channels by satellite. Further, even though the SHVIA provides that certain subscribers who received distant network channels prior to October 1999 can continue to receive those channels through December 2004, the District Court terminated the right of our grandfathered subscribers to continue to receive distant network channels.

While we are pleased the District Court did not provide the relief sought by the plaintiffs, we believe the District Court made a number of errors and have filed a notice of appeal of the District Court's decision. We have also asked the Court of Appeals to stay, until our appeal is decided, the current September 22, 2003 date by which EchoStar has been ordered to terminate distant network channels to all subscribers impacted by the District Court's decision. The Court of Appeals has indicated it will rule on our request for a stay on or before August 15, 2003. It is not possible to predict how the Court of Appeals will rule on our stay, or how or when the Court of Appeals will rule on the merits of our appeal.

In the event the Court of Appeals does not stay the lower court's ruling, and if we do not reach private settlement agreements with additional stations, we will attempt to assist subscribers in arranging alternative means to receive network channels, including migration to local channels by satellite where available, and free off air antenna offers in other markets. However, we cannot predict with any degree of certainty how many subscribers will cancel their primary DISH Network programming as a result of termination of their distant network channels. Termination of distant network programming to subscribers would result in a reduction in ARPU of no more than $0.30 per subscriber per month. While there can be no assurance, we do not expect that those terminations would result in any more than a one percentage point increase in our otherwise anticipated churn over the course of the next 12 months.

Gemstar

During October 2000, Starsight Telecast, Inc., a subsidiary of Gemstar-TV Guide International, Inc. ("Gemstar"), filed a suit for patent infringement against us and certain of our subsidiaries in the United States District Court for the Western District of North Carolina, Asheville Division. The suit alleges infringement of United States Patent No. 4,706,121 ("the `121 Patent") which relates to certain electronic program guide functions. We examined this patent and believe that it is not infringed by any of our products or services. This conclusion is supported by findings of the International Trade Commission ("ITC") which are discussed below. The North Carolina case is stayed pending the appeal of the ITC action to the United States Court of Appeals for the Federal Circuit.

In December 2000, we filed suit against Gemstar-TV Guide (and certain of its subsidiaries) in the United States District Court for the District of Colorado alleging violations by Gemstar of various federal and state anti-trust laws and laws governing unfair competition. The lawsuit seeks an injunction and monetary damages. Gemstar filed counterclaims alleging infringement of United States Patent Nos. 5,923,362 and 5,684,525 that relate to certain electronic program guide functions. We examined these patents and believe they are not infringed by any of our products or services. In August 2001, the Federal Multi-District Litigation panel combined this suit, for pre-trial purposes, with other lawsuits asserting antitrust claims against Gemstar, which had previously been filed by other parties. In January 2002, Gemstar dropped the counterclaims of patent infringement. During March 2002, the Court denied Gemstar's motion to dismiss our antitrust claims. In January 2003, the Court denied a more recently filed Gemstar motion for summary judgment based generally on lack of standing. In its answer, Gemstar asserted new patent infringement counterclaims regarding United States Patent Nos. 4,908,713 (“the `713 patent”) and 5,915,068 (“the `068 patent”, which is expired). These patents relate to on-screen programming of VCRs. We have examined these patents and believe that they are not infringed by any of our products or services. The Court recently granted our motion to dismiss the `713 patent for lack of standing.

In February 2001, Gemstar filed patent infringement actions against us in the District Court in Atlanta, Georgia and with the ITC. These suits allege infringement of United States Patent Nos. 5,252,066, 5,479,268 and 5,809,204, all of which relate to certain electronic program guide functions. In addition, the ITC action alleged infringement of the `121 Patent which was also asserted in the North Carolina case previously discussed. In the Georgia district court case, Gemstar seeks damages and an injunction. The Georgia case was stayed pending resolution of the ITC action and remains stayed at this time. In December 2001, the ITC held a 15-day hearing before an administrative law judge. Prior to the hearing, Gemstar dropped its infringement allegations regarding United States Patent No. 5,252,066 with respect to which we had asserted substantial allegations of inequitable conduct. The hearing addressed, among other things, Gemstar’s allegations of patent infringement and respondents’ (SCI, Scientific Atlanta, Pioneer and us) allegations of patent misuse. During June 2002, the judge issued a Final Initial Determination finding that none of the patents asserted by Gemstar had been infringed. In addition, the judge found that Gemstar was guilty of patent misuse with respect to the `121 Patent and that the `121 Patent was unenforceable because it failed to name an inventor. The parties then filed petitions for the full ITC to review the judge’s Final Initial Determination. During August 2002, the full ITC adopted the judge’s findings regarding non-infringement and the unenforceability of the `121 Patent. The ITC did not adopt, but did not overturn, the judge’s findings of patent misuse. Gemstar is appealing the decision of the ITC to the United States Court of Appeals for the Federal Circuit. If the Federal Circuit were to overturn the judge’s decision, such an adverse decision in this case could temporarily halt the import of our receivers and could require us to materially modify certain user-friendly electronic programming guides and related features we currently offer to consumers. Based upon our review of these patents, and based upon the ITC’s decision, we continue to believe that these patents are not infringed by any of our products or services. We intend to continue to vigorously contest the ITC, North Carolina and Georgia suits and will, among other things, continue to challenge both the validity and enforceability of the asserted patents.

During 2000, Superguide Corp. (“Superguide”) also filed suit against us, DirecTV and others in the United States District Court for the Western District of North Carolina, Asheville Division, alleging infringement of United States Patent Nos. 5,038,211, 5,293,357 and 4,751,578 which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. Superguide sought injunctive and declaratory relief and damages in an unspecified amount. It is our understanding that these patents may be licensed by Superguide to Gemstar. Gemstar was added as a party to this case and asserted these patents against us. We examined these patents and believe that they are not infringed by any of our products or services. A Markman ruling interpreting the patent claims was issued by the Court and in response to that ruling, we filed motions for summary judgment of non-infringement for each of the asserted patents. Gemstar filed a motion for summary judgment of infringement with respect to one of the patents. During July 2002, the Court issued a Memorandum of Opinion on the summary judgment motions. In its Opinion, the Court ruled that none of our products infringe the 5,038,211 and 5,293,357 patents. With respect to the 4,751,578 patent, the Court ruled that none of our current products infringed that patent and asked for additional information before it could rule on certain low-volume products that are no longer in production. During July 2002, the Court summarily ruled that the aforementioned low-volume products did not infringe any of the asserted patents. Accordingly, the Court dismissed the case and awarded us our court costs. Superguide and Gemstar are appealing this case to the United States Court of Appeals for the Federal Circuit. We will continue to vigorously defend this case. In the event the Federal Circuit ultimately determines that we infringe on any of the aforementioned patents, we may be subject to substantial damages, which may include treble damages and/or an injunction that could require us to materially modify certain user-friendly electronic programming guide and related features that we currently offer to consumers. It is too early to make an assessment of the probable outcome of the suits.

PART II — OTHER INFORMATION

California Actions

A purported class action was filed against us in the California State Superior Court for Alameda County during May 2001 by Andrew A. Werby. The complaint, relating to late fees, alleges unlawful, unfair and fraudulent business practices in violation of California Business and Professions Code Section 17200 et seq., false and misleading advertising in violation of California Business and Professions Code Section 17500, and violation of the California Consumer Legal Remedies Act. A settlement was subsequently reached with plaintiff's counsel. The Court issued its preliminary approval of the settlement during October 2002 and issued its final approval of the settlement on March 7, 2003. As a result, this matter was concluded with no material impact on our business.

A purported class action relating to the use of terms such as "crystal clear digital video," "CD-quality audio," and "on-screen program guide," and with respect to the number of channels available in various programming packages was also filed against us in the California State Superior Court for Los Angeles County in 1999 by David Pritikin and by Consumer Advocates, a nonprofit unincorporated association. The complaint alleges breach of express warranty and violation of the California Consumer Legal Remedies Act, Civil Code Sections 1750, et seq., and the California Business & Professions Code Sections 17500 & 17200. A hearing on the plaintiffs' motion for class certification and our motion for summary judgment was held during June 2002. At the hearing, the Court issued a preliminary ruling denying the plaintiffs' motion for class certification. However, before issuing a final ruling on class certification, the Court granted our motion for summary judgment with respect to all of the plaintiffs' claims. Subsequently, we filed a motion for attorney's fees which was denied by the Court. The plaintiffs filed a notice of appeal of the court's granting of our motion for summary judgment and we cross-appealed the Court's ruling on our motion for attorney's fees. It is not possible to make a firm assessment of the probable outcome of the appeal or to determine the extent of any potential liability or damages.

State Investigation

During April 2002, two state attorneys general commenced a civil investigation concerning certain of our business practices. Over the course of the next six months, 11 additional states ultimately joined the investigation. The states alleged failure to comply with consumer protection laws based on our call response times and policies, advertising and customer agreement disclosures, policies for handling consumer complaints, issuing rebates and refunds and charging cancellation fees to consumers, and other matters. We cooperated fully in the investigation. During May 2003, we entered into an Assurance of Voluntary Compliance with the states which ended their investigation. The states have released all claims related to the matters investigated. We made a settlement payment of approximately $5.0 million during the second quarter of 2003 pursuant to the Assurance.

Retailer Class Actions

We have been sued by retailers in three separate purported class actions. During October 2000, two separate lawsuits were filed in the Arapahoe County District Court in the State of Colorado and the United States District Court for the District of Colorado, respectively, by Air Communication & Satellite, Inc. and John DeJong, et al. on behalf of themselves and a class of persons similarly situated. The plaintiffs are attempting to certify nationwide classes on behalf of certain of our satellite hardware retailers. The plaintiffs are requesting the Courts to declare certain provisions of, and changes to, alleged agreements between us and the retailers invalid and unenforceable, and to award damages for lost incentives and payments, charge backs, and other compensation. We are vigorously defending against the suits and have asserted a variety of counterclaims. The United States District Court for the District of Colorado stayed the Federal Court action to allow the parties to pursue a comprehensive adjudication of their dispute in the Arapahoe County State Court. John DeJong, d/b/a Nexwave, and Joseph Kelley, d/b/a Keltronics, subsequently intervened in the Arapahoe County Court action as plaintiffs and proposed class representatives. We have filed a motion for summary judgment on all counts and against all plaintiffs. The plaintiffs have filed a motion for additional time to conduct discovery to enable them to respond to our motion. The Court has not ruled on either of the two motions. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

PART II — OTHER INFORMATION

Satellite Dealers Supply, Inc. ("SDS") filed a lawsuit against us in the United States District Court for the Eastern District of Texas during September 2000, on behalf of itself and a class of persons similarly situated. The plaintiff was attempting to certify a nationwide class on behalf of sellers, installers, and servicers of satellite equipment who contract with us and who allege that we: (1) charged back certain fees paid by members of the class to professional installers in violation of contractual terms; (2) manipulated the accounts of subscribers to deny payments to class members; and (3) misrepresented, to class members, the ownership of certain equipment related to the provision of our satellite television service. During September 2001, the Court granted our motion to dismiss for lack of personal jurisdiction. The plaintiff moved for reconsideration of the Court's order dismissing the case. The Court denied the plaintiff's motion for reconsideration. The trial court denied our motions for sanctions against SDS. Both parties have now perfected appeals before the Fifth Circuit Court of Appeals. The parties' written briefs have been filed and oral argument was heard by the Court on August 4, 2003. It is not possible to make a firm assessment of the probable outcome of the appeals or to determine the extent of any potential liability or damages.

StarBand Shareholder Lawsuit

On August 20, 2002, a limited group of shareholders in StarBand filed an action in the Delaware Court of Chancery against EchoStar and EchoBand Corporation, together with four EchoStar executives who sat on the Board of Directors for StarBand, for alleged breach of the fiduciary duties of due care, good faith and loyalty, and also against EchoStar and EchoBand Corporation for aiding and abetting such alleged breaches. Two of the individual defendants, Charles W. Ergen and David K. Moskowitz, are members of our Board of Directors. The action stems from the defendants' involvement as directors, and EchoBand's position as a shareholder, in StarBand, a broadband Internet satellite venture in which we invested. On July 28, 2003 the Court granted the defendants' motion to dismiss on all counts. We do not know if plaintiffs will appeal the Court's decision.

Shareholder Derivative Action

During October 2002, a purported shareholder filed a derivative action against members of our Board of Directors in the United States District Court of Clark County, Nevada and naming us as a nominal defendant. The complaint alleges breach of fiduciary duties, corporate waste and other unlawful acts relating to our agreement to (1) pay Hughes Electronics Corporation a $600.0 million termination fee in certain circumstances and (2) acquire Hughes' shareholder interest in PanAmSat. The agreements to pay the termination fee and acquire PanAmSat were required in the event that the merger with DirecTV was not completed by January 21, 2003. During July 2003, the individual Board of Director defendants were dismissed from the suit. The plaintiff has filed a motion for attorney's fees. It is not possible to make an assessment of the probable outcome of the outstanding motions or to determine the extent of any potential liability or damages.

Satellite Insurance

In September 1998, we filed a $219.3 million insurance claim for a total loss under the launch insurance policies covering EchoStar IV. The satellite insurance consists of separate substantially identical policies with different carriers for varying amounts that, in combination, create a total insured amount of $219.3 million. The insurance carriers include La Reunion Spatiale; AXA Reinsurance Company (n/k/a AXA Corporate Solutions Reinsurance Company), United States Aviation Underwriters, Inc., United States Aircraft Insurance Group; Assurances Generales De France I.A.R.T. (AGF); Certain Underwriters at Lloyd's, London; Great Lakes Reinsurance (U.K.) PLC; British Aviation Insurance Group; If Skaadeforsikring (previously Storebrand); Hannover Re (a/k/a International Hannover); The Tokio Marine & Fire Insurance Company, Ltd.; Marham Space Consortium (a/k/a Marham Consortium Management); Ace Global Markets (a/k/a Ace London); M.C. Watkins Syndicate; Goshawk Syndicate Management Ltd.; D.E. Hope Syndicate 10009 (Formerly Busbridge); Amlin Aviation; K.J. Coles & Others; H.R. Dumas & Others; Hiscox Syndicates, Ltd.; Cox Syndicate; Hayward Syndicate; D.J. Marshall & Others; TF Hart; Kiln; Assitalia Le Assicurazioni D'Italia S.P.A. Roma; La Fondiaria Assicurazione S.P.A., Firenze; Vittoria Assicurazioni S.P.A., Milano; Ras — Riunione Adriatica Di Sicurta S.P.A., Milano; Societa Cattolica Di Assicurazioni, Verano; Siat Assicurazione E Riassicurazione S.P.A, Genova; E. Patrick; ZC Specialty Insurance; Lloyds of London Syndicates 588 NJM, 1209 Meb AND 861 Meb; Generali France Assurances; Assurance France Aviation; and Ace Bermuda Insurance Ltd.

PART II — OTHER INFORMATION

The insurance carriers offered us a total of approximately $88.0 million, or 40.0% of the total policy amount, in settlement of the EchoStar IV insurance claim. The insurers assert, among other things, that EchoStar IV was not a total loss, as that term is defined in the policy, and that we did not abide by the exact terms of the insurance policies. We strongly disagree and filed arbitration claims against the insurers for breach of contract, failure to pay a valid insurance claim and bad faith denial of a valid claim, among other things. Due to individual forum selection clauses in certain of the policies, we are pursuing our arbitration claims against Ace Bermuda Insurance Ltd. in London, England, and our arbitration claims against all of the other insurance carriers in New York, New York. The New York arbitration commenced on April 28, 2003, and hearings were held for two weeks. The arbitration will resume on September 16, 2003. The parties to the London arbitration have agreed to stay that proceeding pending a ruling in the New York arbitration. There can be no assurance that we will receive the amount claimed in either the New York or the London arbitrations or, if we do, that we will retain title to EchoStar IV with its reduced capacity.

In addition to the above actions, we are subject to various other legal proceedings and claims which arise in the ordinary course of business. In our opinion, the amount of ultimate liability with respect to any of these actions is unlikely to materially affect our financial position, results of operations or liquidity.

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

The following matters were voted upon at the annual meeting of our shareholders held on May 6, 2003:

a. The election of Charles W. Ergen, James DeFranco, David K. Moskowitz, Raymond L. Friedlob, Cantey Ergen, Peter A. Dea and Steven R. Goodbarn as directors to serve until the 2004 annual meeting of shareholders;

b. The approval of an amendment to our Amended and Restated Articles of Incorporation to modify one of our indemnification provisions relating to payment of litigation expenses; and

c. Ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2003.

All matters voted on at the annual meeting were approved. The voting results were as follows:

	Votes		
	For	**Against**	**Withheld**
Election as directors:			
Peter A. Dea	2,596,615,089	—	10,798,156
James DeFranco	2,553,696,377	—	53,716,868
Cantey Ergen	2,553,591,551	—	53,821,694
Charles W. Ergen	2,596,384,770	—	11,028,475
Raymond L. Friedlob	2,596,373,786	—	11,039,459
Steven R. Goodbarn	2,596,655,717	—	10,757,528
David K. Moskowitz	2,596,395,204	—	11,018,041
Approval of an amendment to our Amended and Restated Articles of Incorporation to modify one of our indemnification provisions relating to payment of litigation expenses	2,605,193,971	2,027,950	191,324
Ratification of the appointment of KPMG LLP as our independent auditors for the fiscal year ending December 31, 2003	2,602,159,897	5,111,323	142,025

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PART II — OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

3.1(a)*	Amended and Restated Articles of Incorporation of EchoStar.
3.1(b)*	Amended and Restated Bylaws of EchoStar.
31.1*	Section 302 Certification by Chairman and Chief Executive Officer
31.2*	Section 302 Certification by Senior Vice President and Chief Financial Officer
32.1*	Section 906 Certification by Chairman and Chief Executive Officer
32.2*	Section 906 Certification by Senior Vice President and Chief Financial Officer

* Filed herewith.

(b) Reports on Form 8-K.

On May 6, 2003, we filed a Current Report on Form 8-K in connection with the filing of our Quarterly Report on Form 10-Q for the period ended March 31, 2003 stating that our Chief Executive Officer and our Chief Financial Officer certified our report pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002.

On May 9, 2003, we filed a Current Report on Form 8-K in connection with the filing of our Quarterly Report on Form 10-Q for the period ended March 31, 2003 announcing our financial results for the quarter ended March 31, 2003.

SIGNATURES

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

ECHOSTAR COMMUNICATIONS CORPORATION

By: /s/ *Charles W. Ergen*

Charles W. Ergen
Chairman and Chief Executive Officer
(Duly Authorized Officer)

By: /s/ *Michael R. McDonnell*

Michael R. McDonnell
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 13, 2003

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INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
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32.2*	Section 906 Certification by Senior Vice President and Chief Financial Officer

* Filed herewith.

EXHIBIT 3.1(a)

ARTICLES OF INCORPORATION OF ECHOSTAR COMMUNICATIONS CORPORATION

(incorporating all amendments and reflecting two separate two-for-one stock splits in 1999, and one two-for-one stock split in March 2000)

ARTICLE I
Name

The name of the corporation shall be ECHOSTAR COMMUNICATIONS CORPORATION (the "Corporation").

ARTICLE II
Period of Duration

The Corporation shall exist in perpetuity, from and after the date of filing of its original Articles of Incorporation with the Secretary of State of the State of Nevada unless dissolved according to law.

ARTICLE III
Purposes

The purpose for which this Corporation is organized is to engage in any lawful acts and activities for which corporations may be organized under the laws of the State of Nevada and to exercise any powers permitted to corporations under the laws of the State of Nevada.

ARTICLE IV
Capital

1. Authorized Capital Stock. The total number of shares of capital stock which the Corporation is authorized to issue shall be 3,220,000,000 shares, consisting of 3,200,000,000 shares of common stock, par value $0.01 per share ("Common Stock"), and 20,000,000 shares of preferred stock, par value $0.01 per share ("Preferred Stock").

2. Common Stock. (a) Of the 3,200,000,000 shares of authorized Common Stock, 1,600,000,000 shares shall be designated Class A Common Stock ("Class A Common Stock"), 800,000,000 shares shall be designated Class B Common Stock ("Class B Common Stock"), and 800,000,000 shares shall be designated Class C Common Stock ("Class C Common Stock").

3. Preferred Stock. The Board of Directors of the Corporation is hereby authorized to provide, by resolution or resolutions adopted by such Board, for the issuance of Preferred Stock from time to time in one or more classes and/or series, to establish the number of shares of each such class or series, and to fix the powers, designations, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, of any of the shares of each such class or series, all to the full extent permitted by the Nevada General Corporation Law, or any successor law(s) of the State of Nevada. Without limiting the generality of the foregoing, the Board of Directors is authorized to provide that shares of a class or series of Preferred Stock:

(1) are entitled to cumulative, partially cumulative or noncumulative dividends or other distributions payable in cash, capital stock or indebtedness of the Corporation or other property, at such times and in such amounts as are set forth in the Board resolutions establishing such class or series or as are determined in a manner specified in such resolutions;

(2) are entitled to a preference with respect to payment of dividends over one or more other classes and/or series of capital stock of the Corporation;

(3) are entitled to a preference with respect to any distribution of assets of the Corporation its liquidation, dissolution or winding up over one or more other classes and/or series of capital stock of the Corporation in such amount as is set forth in the Board resolutions establishing such class or series or as is determined in a manner specified in such resolutions;

(4) are redeemable or exchangeable at the option of the Corporation and/or on a mandatory basis for cash, capital stock or indebtedness of the Corporation or other property, at such times or upon the occurrence of such events, and at such prices, as are set forth in the Board resolutions establishing such class or series or as are determined in a manner specified in such resolutions;

(5) are entitled to the benefits of such sinking fund, if any, as is required to be established by the Corporation for the redemption and/or purchase of such shares by the Board resolutions establishing such class or series;

(6) are convertible at the option of the holders thereof into shares of any other class or series of capital stock of the Corporation, at such times or upon the occurrence of such events, and upon such terms, as are set forth in the Board resolutions establishing such class or series or as are determined in a manner specified in such resolutions;

(7) are exchangeable at the option of the holders thereof for cash, capital stock or indebtedness of the Corporation or other property, at such times or upon the occurrence of such events, and at such prices, as are set forth in the Board

resolutions establishing such class or series or as are determined in a manner specified in such resolutions;

(8) are entitled to such voting rights, if any, as are specified in the Board resolutions establishing such class or series (including, without limiting the generality of the foregoing, the right to elect one or more directors voting alone as a single class or series or together with one or more other classes and/or series of Preferred Stock, if so specified by such Board resolutions) at all times or upon the occurrence of specified events; and

(9) are subject to restrictions on the issuance of additional shares of Preferred Stock of such class or series or of any other class or series, or on the reissuance of shares of Preferred Stock of such class or series or of any other class or series, or on increases or decreases in the number of authorized shares of Preferred Stock of such class or series or of any other class or series.

Without limiting the generality of the foregoing authorizations, any of the voting powers, designations, preferences, rights and qualifications, limitations or restrictions of a class or series of Preferred Stock may be made dependent upon facts ascertainable outside the Board resolutions establishing such class or series, all to the full extent permitted by the Nevada General Corporation Law. Unless otherwise specified in the Board resolutions establishing a class or series of Preferred Stock, holders of a class or series of Preferred Stock shall not be entitled to cumulate their votes in any election of directors in which they are entitled to vote and shall not be entitled to any preemptive rights to acquire shares of any class or series of capital stock of the Corporation.

ARTICLE V
Voting and Conversion Rights

1. Voting Rights.

(a) Except as otherwise required by law or, in any Preferred Stock Statement and Certificate of Designations, Preferences and Rights ("Certificate of Designations"), with respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of any outstanding shares of Class A Common Stock, Class B Common Stock, Class C Common Stock and Preferred Stock shall vote together without regard to class, and every holder of any outstanding shares of the Class A Common Stock and Class C Common Stock held by such holder; every holder of any outstanding shares of Class B Common Stock shall be entitled to cast ten votes in person or by proxy for each share of Class B Common Stock held by such holder; and every holder of any outstanding shares of Preferred Stock shall be entitled to cast, in person or by proxy for each share of Preferred Stock held by such holder, the number of votes specified in the applicable Certificate of Designations; provided however, in the event of a "Change in Control" of the Corporation, the holders of any outstanding shares of Class C Common Stock shall be entitled to cast ten votes in person or by proxy for each share of Class C Common Stock held by such holder. As used herein, a "Change of Control" of the Corporation means: (i) any transaction or series of transactions, the result of which is that the Principals and their Related Parties (as such terms are hereinafter defined), or an entity controlled by the Principals and their Related Parties, cease to be the "beneficial owners" (as defined in Rule 13(d) (3) under the Securities Exchange Act of 1934) of at least 30% of the total equity interests of the Corporation and to have the voting power to elect at least a majority of the Board of Directors of the Corporation; or (ii) the first day on which a majority of the members of the Board of Directors of the Corporation are not continuing directors. "Principals" means Charles W. Ergen, James DeFranco, and David K. Moskowitz. "Related Parties" means, with respect to any Principal: (y) the spouse and each immediate family member of such Principal; and (z) each trust, corporation, partnership or other entity of which such Principal beneficially holds an 80% or more controlling interest.

(b) A quorum for the purpose of shareholder meeting shall consist of a majority of the voting power of EchoStar. If a quorum is present, the effective vote of a majority of the voting power represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater proportion or number is required by any provisions contained in the NGCL. Notwithstanding any provisions contained in the NGCL requiring the vote of shares possessing two-thirds of the voting power of EchoStar to take action, absent a provision herein to the contrary, in the case of such provisions the affirmative vote of a majority of the voting power shall be the act of the shareholders.

(c) Holders of Common Stock shall not be entitled to cumulate their votes in the election of directors and shall not be entitled to any preemptive rights to acquire shares of any class or series of capital stock of the Corporation. Subject to any preferential rights of holders of Preferred Stock, holders of Common Stock shall be entitled to receive their pro rata shares, based upon the number of shares of Common Stock held by them, of such dividends or other distributions as may be declared by the Board of Directors from time to time and of any distribution of the assets of the Corporation upon its liquidation, dissolution or winding up, whether voluntary or involuntary.

2. Conversion Rights.

(a) Each share of Class B Common Stock and Class C Common Stock Shall be convertible at the option of the holder thereof into Class A Common Stock of the Corporation in accordance with this Article V. In order to exercise the conversion privilege, a holder of Class B Common Stock or Class C Common Stock shall surrender the certificate evidencing such Class B Common Stock or Class C Common Stock to the Corporation at its principal office, duly endorsed to the Corporation and accompanied by written notice to the Corporation that the holder thereof elects to convert a specified portion or all of such shares. Class B Common Stock or Class C Common Stock converted at the option of the holder shall be deemed to have been converted on the day of surrender of the certificate representing such shares for conversion in accordance with the foregoing provisions, and at such time the rights of the holder of such Class B Common Stock or Class C Common Stock, as such holder, shall cease and such holder shall be treated for all purposes as the record holder of Class A Common Stock issuable upon conversion. As promptly as practicable on or after the conversion date, the Corporation shall issue and mail or deliver to such holder a certificate or certificates for the number of Class A Common Stock issuable upon conversion, computed to the nearest one hundredth of a full share, and a certificate or certificates for the balance of Class B Common Stock or Class C Common Stock surrendered, if any, not so converted into Class A Common Stock.

(b) The Class B Common Stock and Class C Common Stock shall be convertible into one share of Class A Common Stock for each share of Class B Common Stock or Class C Common Stock so converted (the "Conversion Rate"). In the event the Corporation shall at any time subdivide or split its outstanding Class A Common Stock, into a greater number of shares or declare any dividend payable in Class A Common Stock, the Conversion Rate in effect immediately prior to such subdivision, split or dividend shall be proportionately increased, and conversely, in case the outstanding Class A Common Stock of the Corporation shall be combined into a smaller number of shares, the Conversion Rate in effect immediately prior to such combination shall be proportionately decreased.

(c) Upon any adjustment of the Conversion Rate then and in each such case the Corporation shall give written notice thereof, by first-class mail, postage prepaid, addressed to the registered holders of Class B Common Stock and Class C Common Stock at the addresses of such holders as shown on the books of the Corporation, which notice shall state the Conversion Rate resulting from such adjustment and the increase or decrease, if any, in the number of shares receivable at such price upon the conversion of Class B Common Stock or Class C Common Stock, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

(d) The holders of Class B Common Stock and Class C Common Stock shall have the following rights to certain properties received by the holders of Class A Common Stock:

(i) In case the Corporation shall declare a dividend or distribution upon Class A Common Stock payable other than in cash out of earnings or surplus or other than in Class A Common Stock, then thereafter each holder of Class B Common Stock or Class C Common Stock upon the conversion thereof will be entitled to receive the number of shares of Class A Common Stock into which such Class B Common Stock or Class C Common Stock shall be converted, and, in addition and without payment therefor, the property which such holder would have received as a dividend if continuously since the record date for any such dividend or distribution such holder: (A) had been the record holder of the number of Class A

Common Stock then received; and (B) had retained all dividends or distributions originating directly or indirectly from such Class A Common Stock.

(ii) If any capital reorganization or reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with another corporation, or the sale of all or substantially all of its assets to another corporation shall be effected in such a way that holders of Class A Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for a Class A Common, then, as a condition of such reorganization, reclassification, consolidation, merger or sale, lawful and adequate provision shall be made whereby the holders of Class B Common Stock and Class C Common Stock shall thereafter have the right to receive, in lieu of Class A Common Stock of the Corporation immediately theretofore receivable upon the conversion of such Class B Common Stock and Class C Common Stock, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for a number of outstanding Class A Common Stock equal to the number of Class A Common Stock immediately theretofore receivable upon the conversion or such Class B Common Stock and Class C Common Stock had such reorganization, reclassification, consolidation, merger or sale not taken place, and in any such case appropriate provision shall be made with respect to the rights and interests of the holders of the Class B Common Stock and Class C Common Stock to the end that the provisions hereof (including without limitation provisions for adjustments of the Conversion Rate and of the number of shares receivable upon the conversion of such Class B Common Stock and Class C Common Stock) shall thereafter be applicable, as nearly as may be, in relation to any shares of stock, securities or assets thereafter receivable upon the conversion of such Class B Common Stock and Class C Common Stock. The Corporation shall not effect any such reorganization, reclassification, consolidation, merger or sale, unless prior to the consummation thereof the surviving corporation (if other than the Corporation), the corporation resulting from such consolidation or the corporation purchasing such assets shall assume by written instrument executed and mailed to the registered holders of the Class B Common Stock and Class C Common Stock at the last address of such holders appearing on the books of the Corporation, the obligation to deliver to such holders such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holders may be entitled to receive.

(e) In case at any time:

(iii) the Corporation shall pay any dividend payable in stock upon Class A Common Stock or make any distribution (other than regular cash dividends to the holders of Class A Common Stock); or

(iv) the Corporation shall offer for subscription pro rata to the holders of Class A Common Stock any additional shares of stock of any class or other rights; or

(v) there shall be any capital reorganization, reclassification of the capital stock of the Corporation, or consolidation or merger of the Corporation with, or sale of all or substantially all of its assets, to another corporation (provided however, that this provision shall not be applicable to the merger or consolidation of the Corporation with or into another corporation if, following such merger or consolidation, the shareholders of the Corporation immediately prior to such merger or consolidation own at least 80% of the equity of the combined entity); or

(vi) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Corporation;

then, in any one or more of the aforesaid cases, the Corporation shall give written notice, by first-class mail, postage prepaid, addressed to the holders of Class B Common Stock and Class C Common Stock at the addresses of such holders as shown on the books of the Corporation, of the date on which: (A) the books of the Corporation shall close or a record shall be taken for such dividend, distribution or subscription rights; or (B) such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which the holders of Class A Common Stock of record shall participate in such dividend, distribution, or subscription rights, or shall be entitled to exchange their Class A Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding up, as the case may be. Such written notice shall be given at least 20 days prior to the action in question and not less than 20 days prior to the record date or the date on which the Corporation's transfer books are closed in respect thereto.

ARTICLE VI
Board of Directors

The name and addresses of the first board of directors, which shall be three (3) in number, are as follows:

NAME	ADDRESS
Charles W. Ergen	5701 S. Santa Fe Drive Littleton, CO 80102
James DeFranco	5701 S. Santa Fe Drive Littleton, CO 80120
R. Scott Zimmer	5701 S. Santa Fe Drive Littleton, CO 80120

The number of directors shall be increased or decreased as prescribed by the Bylaws of the Corporation.

ARTICLE VII
Right of Directors to Contract with Corporation

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and the same are in furtherance of and not in limitation of the powers conferred by law.

1. No contract or other transaction between this Corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of its directors are directors or officers or are financially interested shall be either void or voidable solely because of such relationship or interest or solely because such directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or solely because their votes are counted for such purpose if:

   (a) The material facts as to such relationship or interest and as to the contract or transaction are disclosed or are otherwise known to the Board of Directors or committee and the Board or committee authorizes, approves, or ratifies such contract or transaction by the affirmative vote of a majority of the disinterested directors, even though such directors are less than a quorum; or

   (b) The material facts of such relationship or interest and as to the contract or transaction are disclosed or are otherwise known to the shareholders entitled to vote thereon and they authorize, approve or ratify such contract or transaction by vote or written consent; or

   (c) The contract or transaction is fair and reasonable to the Corporation.

2. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.

ARTICLE VIII
Corporate Opportunity

The officers, directors and other members of management of this Corporation shall be subject to the doctrine of "corporate opportunities" only insofar as it applies to business opportunities in which this Corporation has expressed an interest as determined from time to time by this Corporation's Board of Directors as evidenced by resolutions appearing in the Corporation's minutes. Once such areas of interest are delineated, all such business opportunities within such areas of interest which come to the attention of the officers, directors and other members of management of this Corporation shall be offered first to the Corporation. In the event the Corporation declines to pursue any or all such business opportunities, the officers, directors and other members of management of this Corporation shall be free to engage in such areas of interest on their own and this doctrine shall not limit the right of any officer, director or other member of management of this Corporation to continue a business existing prior to the time that such area of interest is designated by the Corporation. This provision shall not be construed to release any employee of this Corporation (other than an officer, director or member of management) from any duties which he may have to this Corporation.

ARTICLE IX
Indemnification of Officers, Directors and Others

1. To the full extent permitted by the NGCL, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit in proceeding, whether civil, criminal, administrative or investigative and whether formal or informal (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee, fiduciary or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, fiduciary or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgements, fines an amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he conducted himself in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful, The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

2. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, fiduciary or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests

of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

3. To the extent that a director, officer, employee, fiduciary or agent of a corporation has been wholly successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraphs 1 and 2 of this Article, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith.

4. Any indemnification under paragraphs 1 and 2 of this Article IX (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, fiduciary or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs 1 and 2. Such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or (2) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (3) by the shareholders.

5. Expenses (including attorneys fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation as they are incurred and in advance of the final disposition of such action, suit or proceeding as authorized in the manner provided in paragraph 4 of this Article IX upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined by a final order of a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation.

6. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, fiduciary or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article IX.

7. In addition to the forgoing, the Corporation shall have the power to indemnify current or former directors, officer, employees and agents to the fullest extent provided by law.

ARTICLE X
Director Liability

To the fullest extent permitted by the Nevada General Corporation Law, as the same exists or may hereafter be amended, a director of this Corporation shall not be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director.

ARTICLE XI
Incorporator

The name and address of the sole incorporator of the Corporation is as follows: Gregory S. Brown, and his address is 303 East 17th Avenue, Suite 1100, Denver, Colorado 80203.

ARTICLE XII
Registered Office and Registered Agent

The address of the registered office of the Corporation is One East First Street, Reno, Nevada 89501. The name of the Corporation's resident agent at that address is The Corporation Trust Company of Nevada. Either the registered office or the registered agent may be changed in the manner permitted by law.

EXHIBIT 3.1(b)

AMENDED AND RESTATED

BYLAWS

OF

ECHOSTAR COMMUNICATIONS CORPORATION

(effective July 6, 2003)

ARTICLE I

Principal Office and Corporate Seal

Section 1.1 - Offices. The initial principal office and place of business of EchoStar Communications Corporation (the "Corporation") shall be at 90 Inverness Circle East, Englewood, Colorado 80112. Other offices and places of business either within or outside Nevada or Colorado may be established from time to time by resolution of the Board of Directors or as the business of the Corporation may require. The registered office of the Corporation required by Title 7, Chapter 78 of the Nevada Revised Statutes to be maintained in Nevada may be changed from time to time by the Board of Directors.

Section 1.2 - Seal. The seal of the Corporation shall have inscribed thereon the name of the Corporation and the word "Seal", and shall be in such form as may be approved by the Board of Directors, which shall have the power to alter the same at its pleasure. The Corporation may use the seal by causing it, or a facsimile thereof, to be impressed or affixed or in any other manner reproduced.

ARTICLE II

Shares and Transfer Thereof

Section 2.1 - Certificates. The shares of this Corporation shall be represented by consecutively numbered certificates signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, and may be, but are not required to be, sealed with the Seal of the Corporation or a facsimile thereof. The signatures of the President or Vice President and the Secretary or Assistant Secretary, upon a certificate, may be facsimiles if the certificate is countersigned by a transfer agent, or registered by a registrar, other than the Corporation itself or an employee of the Corporation. In case any officer who has signed a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer at the date of its issue. Every certificate representing shares issued by the Corporation which is authorized to issue shares of more than one class or more than one series of any class shall set forth on the face or back of the certificate or shall state that the Corporation will furnish to any Shareholder upon request and without charge a full statement of the designations, preferences, limitations and relative rights of the shares of each class to be issued and if the Corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences between the shares of each such series, so far as the same have been fixed and determined, and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series.

Each certificate representing shares shall state the following upon the face thereof: the name of the state of the Corporation's organization, the name of the person to whom issued; the number and class of shares and the designation of the series, if any, which such certificate represents; the par value of each share, if any, represented by such certificate or a statement that the shares are without par value. Certificates of stock shall be in such form consistent with law as shall be prescribed by the Board of Directors. No certificate shall be issued until the shares represented thereby are fully paid.

Section 2.2 - Record. A record shall be kept of the name of each person or other entity holding the stock represented by each certificate for shares of the Corporation issued, the number of shares represented by each such certificate, the date thereof and, in the case of cancellation, the date of cancellation. The person or other entity in whose name shares of stock stand on the books of the Corporation shall be deemed the owner thereof, and thus a holder of record of such shares of stock, for all purposes as regards the Corporation.

Section 2.3 - Consideration for Shares. Shares shall be issued for such consideration, expressed in dollars (but not less than the par value, if any, thereof) as shall be fixed from time to time by the Board of Directors. That part of the surplus of the Corporation which is transferred to stated capital upon the issuance of shares as a share dividend shall be deemed the consideration for the issuance of such dividend shares. Such consideration may consist, in whole or in part, of money, other property, tangible or intangible, or in labor or services actually performed for the Corporation, but neither promissory notes nor future services shall constitute payment or part payment for shares.

Section 2.4 - Cancellation of Certificates. No new certificates evidencing shares shall be issued unless and until the old certificate or certificates, in lieu of which the new certificate is issued, shall be surrendered for cancellation, except as modified in Section 2.3 of this Article II.

Section 2.5 - Lost Certificates. In case of loss or destruction of any certificate of shares, another certificate may be issued in its place upon satisfactory proof of such loss or destruction and, at the discretion of the Corporation, upon giving to the Corporation a satisfactory bond of indemnity issued by a corporate surety in an amount and for a period satisfactory to the Board of Directors.

Section 2.6 - Closing of Transfer Books - Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders, or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period, but not to exceed in any case sixty (60) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of, or to vote at a meeting of Shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of Shareholders, such date in any case to be not more than sixty (60) days prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the Board of Directors does not order the stock transfer books closed, or fix in advance a record date, as above provided, then the record date for the determination of Shareholders entitled to notice of, or to vote at any meeting of Shareholders, or any adjournment thereof, or entitled to receive payment of any dividend or for the determination of Shareholders for any proper purpose shall be thirty (30) days prior to the date on which the particular action requiring such determination of Shareholders is to be taken.

Section 2.7 - Transfer of Shares. Upon surrender to the Corporation or to a transfer agent of the Corporation of a certificate of stock duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, and such documentary stamps as may be required by law, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, and cancel the old certificate. Every such transfer of stock shall be entered on the stock book of the Corporation which shall be kept at its principal office or by its registrar duly appointed.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof, and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall be express or other notice thereof, except as may be required by the laws of Nevada.

Section 2.8 - Transfer Agents, Registrars and Paying Agents. The Board may, at its discretion, appoint one or more transfer agents, registrars and agents for making payment upon any class of stock, bond, debenture or other security of the Corporation. Such agents and registrars may be located either within or outside Nevada. They shall have such rights and duties and shall be entitled to such compensation as may be agreed.

ARTICLE III

Shareholders and Meetings Thereof

Section 3.1 - Shareholders of Record. Only Shareholders of record on the books of the Corporation shall be entitled to be treated by the Corporation as holders in fact of the shares standing in their respective names, and the Corporation shall not be bound to recognize any equitable or other claim to, or interest in, any shares on the part of any other person, firm or corporation, whether or not it shall have express or other notice thereof, except as expressly provided by the laws of Nevada.

Section 3.2 - Place of Meeting. Meetings of Shareholders shall be held at the principal office of the Corporation or at such other place, either within or without Nevada, as shall be determined by the Board of Directors.

Section 3.3 - Annual Meeting. The annual meeting of shareholders of the Corporation for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held as determined by resolution of the Board of Directors. If a quorum be not present, the meeting may be adjourned from time to time, but no single adjournment shall exceed sixty (60) days. The first annual meeting of Shareholders shall be held at such date as the Board of Directors shall determine. If the election of directors shall not be held at the annual meeting of Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of Shareholders as soon thereafter as convenient.

Section 3.4 - Special Meeting. Special meetings of Shareholders for any purpose unless otherwise prescribed by statute may be called by the President (or in his absence by a Vice President), the Board of Directors, or the holders of not less than one-third (1/3) of all shares entitled to vote on the subject matter for which the meeting is called. Any holder or holders of not less than one-third (1/3) of all of the outstanding shares of the Corporation who desire to call a special meeting pursuant to this Article III, Section 3.4 shall notify the President that a special meeting of the Shareholders shall be called. Within thirty (30) days after notice to the President, the President shall set the date, time and location of the Shareholders meeting.

Section 3.5 - Notice of Meeting. Written notice stating the place, day and hour of the Shareholders' meeting, and in case of a special meeting of Shareholders, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, the Board of Directors, or the officer or persons calling the meeting, to each Shareholder of record entitled to vote at such meeting, except that if the authorized shares are to be increased, at least thirty (30) days' notice shall be given. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Shareholder at his address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid. Failure to deliver such notice or obtain a waiver thereof shall not cause the meeting to be lost, but it shall be adjourned by the Shareholders present for a period not to exceed sixty (60) days until any deficiency to notice or waiver shall be supplied.

Section 3.6 - Adjournment. When a meeting is for any reason adjourned to another time, notice will not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted which might have been transacted at the original meeting.

Section 3.7 - Organization. The President or any Vice President shall call meetings of Shareholders to order and act as chairman of such meetings. In the absence of said officers, any Shareholder entitled to vote at that meeting, or any proxy of any such Shareholder, may call the meeting to order and a chairman shall be elected by a majority of the Shareholders entitled to vote at that meeting. In the absence of the Secretary or any Assistant Secretary of the Corporation, any person appointed by the chairman shall act as Secretary of such meeting.

Section 3.8 - Agenda and Procedure. The Board of Directors shall have the responsibility for establishing an agenda for each meeting of Shareholders, subject to the rights of Shareholders to raise matters for consideration which may otherwise properly be brought before the meeting although not included within the agenda. The chairman shall be charged with the orderly conduct of all meetings of Shareholders; provided, however, that in the event of any difference in opinion with respect to the proper course of action which cannot be resolved by reference to statute, or to the Articles of Incorporation, or these Bylaws, Robert's Rules of Order (as last revised) shall govern the disposition of the matter.

Section 3.9 - Voting Records. The officer or agent having charge of the stock transfer books for shares of this Corporation shall make, at least ten (10) days, before each meeting of Shareholders, a complete record of the Shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which record, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal office of the Corporation, whether within or without Nevada, and shall be subject to inspection by any Shareholder for any purpose germane to the meeting at any time during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the Shareholders entitled to examine such record or transfer books or to vote at any meeting of Shareholders.

Section 3.10 - Quorum. A quorum at any meeting of Shareholders shall consist of a majority of the shares of the Corporation entitled to vote thereat represented in person or by proxy. If a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the Shareholders. If fewer than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting without further notice for a period not to exceed sixty (60) days at any one adjournment. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The Shareholders present at a duly organized meeting may continue to transact business until adjourned, notwithstanding the withdrawal of Shareholders so that less than a quorum remains.

Section 3.11 - Proxies. A Shareholder may vote either in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. No proxy shall be valid after six (6) months from the date of Its execution, unless otherwise provided in the proxy.

Section 3.12 - Action by Written Consent. Unless the Articles of Incorporation or these Bylaws specifically provide otherwise, any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if, before or after the action, a written consent thereto is signed by shareholders holding at least a majority of the voting power, except that if any greater proportion of voting power is required for such action at a meeting, then such greater proportion of written consents shall be required. In no instance where action is authorized by written consent need a meeting of shareholders be called or noticed.

Section 3.13 - Voting of Shares. Each outstanding share, regardless of class, shall be entitled to one vote, and each fractional share shall be entitled to a corresponding fractional vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the Articles of Incorporation. If the Articles of Incorporation provide for more or less than one vote for any share on any matter, every reference in Title 7, Chapter 78 of the Nevada Revised Statutes to a majority or other proportion or number of shares shall refer to such a majority or other proportion or number of votes entitled to be cast with respect to such matter. In the election of directors, each record holder of stock entitled to vote at such election shall have the right to vote in person or by proxy the number of shares owned by him, for as many persons as there are directors to be elected, and for whose election he has the right to vote unless the Articles of Incorporation otherwise provide. Cumulative voting shall not be allowed.

ARTICLE IV

Directors: Powers and Meetings

Section 4.1 - General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors, except as otherwise provided in Title 7, Chapter 78 of the Nevada Revised Statutes or the Articles of Incorporation.

Section 4.2 - Performance of Duties. A director of the Corporation shall perform his duties as a director, including his duties as a member of any committee of the Board upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of the Corporation, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. In performing his duties, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by persons and groups listed in paragraphs (a), (b), and (c) of this Section 4.2; but he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A person who so performs his duties shall not have any liability by reason of being or having been a director of the Corporation. Those persons and groups upon whose information, opinions, reports, and statements a director is entitled to rely are:

(a) One or more officers or employees of the Corporation whom the director reasonably believes to be reliable and competent in the matters presented;

(b) Counsel, public accountants, or other persons as to matters which the director reasonably believes to be within such person's professional or expert competence; or

(c) A committee of the Board upon which he does not serve, duly designated in accordance with the provisions of the Articles of incorporation or the Bylaws, as to matters within its designated authority, which committee the director reasonably believes to merit confidence.

Section 4.3 - Number; Tenure; Qualification; Chairman. The number of directors which shall constitute the whole Board of Directors of the Corporation shall be fixed from time to time by resolution of the Board of Directors or stockholders (any such resolution of the Board of Directors or stockholders being subject to any later resolution of either of them). The number of directors of the Corporation shall be not less than three (3), nor more than ten (10) who need not be Shareholders of the Corporation or residents of the State of Nevada and who shall be elected at the annual meeting of Shareholders or some adjournment thereof, except that there need be only as many directors as there are Shareholders in the event that the outstanding shares are held of record by fewer than three (3) persons. Directors shall hold office until the next succeeding annual meeting of Shareholders or until their successors shall have been elected and shall qualify. No provision of this section shall be restrictive upon the right of the Board of Directors to fill vacancies or upon the right of Shareholders to remove Directors as is hereinafter provided. The Board of Directors may designate one director as the Chairman of the Board of Directors.

Section 4.4 - Resignation. Any Director of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the President, any Vice President or the Secretary of the Corporation. Such resignation shall take effect at the date of receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. When one or more directors shall resign from the Board, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Section 4.5 - Annual Meeting. The annual meeting of the Board of Directors shall be held at the same place as, and immediately after, the annual meeting of Shareholders, and no notice shall be required in connection therewith. The annual meeting of the Board of Directors shall be for the purpose of electing officers and the transaction of such other business as may come before the meeting.

Section 4.6 - Special Meeting. Special meetings of the Board of Directors may be called at any time by the President (or in his absence by a Vice President), or by any director, and may be held within or outside the State of Nevada at such time and place as the notice or waiver thereof may specify. Notice of such meetings shall be mailed or telegraphed to the last known address of each director at least five (5) days, or shall be given to a director in person or by telephone at least forty-eight (48) hours prior to the date or time fixed for the meeting. Special meetings of the Board of Directors may be held at any time that all directors are present in person, and presence of any director at a meeting shall constitute waiver of notice of such meeting, except as otherwise provided by law. Unless specifically required by law, the Articles of Incorporation or these Bylaws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 4.7 - Meetings by Telephone. Members of the Board of Directors or any committee designated by the Board of Directors may participate in a meeting of the Board or committee by means of telephone conference or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

Section 4.8 - Quorum. A quorum at all meetings of the Board of Directors shall consist of a majority of the number of directors then holding office, but a smaller number may adjourn from time to time without further notice, until a quorum be secured. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by Title 7, Chapter 78 of the Nevada Revised Statutes, the Articles of Incorporation or these Bylaws.

Section 4.9 - Manner of Acting. If a quorum is present, the affirmative vote of a majority of the directors present at the meeting and entitled to vote on that particular matter shall be the act of the Board, unless the vote of a greater number is required by law or the Articles of Incorporation.

Section 4.10 - Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he files his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or forwards such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 4.11 - Action by Written Consent. Unless the Articles of Incorporation or these By-laws specifically provide otherwise, any action required or permitted to be taken at a meeting of the Board of Directors or any committee designated by such board may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each director or committee member, and delivered to the Secretary for inclusion in the minutes or for filing with the corporate records. Action taken under this section is effective when all directors or committee members have signed the consent, unless the consent specifies a different effective date. Such consents shall have the same force and effect as a unanimous vote of the directors or committee members and may be stated as such in any document.

Section 4.12 - Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, and shall hold such office until his successor is fully elected and shall qualify. Any directorship to be filled by reason of an increase in the number of directors shall be filled by the affirmative vote of a majority of the directors then in office or by an election at an annual meeting, or at a special meeting of Shareholders called for that purpose. A director chosen to fill a position resulting from an increase in the number of Directors shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and shall qualify.

Section 4.13 - Compensation. Directors may receive such fees as may be established by appropriate resolution of the Board of Directors for attendance at meetings of the Board, and in addition thereto, shall receive reasonable travel expenses, if any is required, for attendance at such meetings.

Section 4.14 - Committees. The Board of Directors may by resolution designate one or more directors to constitute one or more committees which each shall have and may exercise all authority in the management of the Corporation as the Board of Directors to the extent provided in such resolution for such committee; but no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the Shareholders the sale, lease, exchange, or other disposition of all or substantially all of the property and assets of the Corporation otherwise than in the usual and regular course of its business, recommending to the Shareholders a voluntary dissolution of the Corporation or a revocation thereof, or amending the Bylaws of the Corporation. The designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law. Each member of the Board of Directors, whether or not such director is a member of such committees, shall be entitled to receive notice of each meeting of each committee of such Board of Directors and each member of the Board of Directors shall be entitled to attend each meeting of any such committee, whether or not such director is a member of such committee.

Section 4.15 - Removal. The Shareholders may, at a meeting called for the express purpose of removing directors, by the vote of Shareholders representing not less than two-thirds of the voting power of the issued and outstanding stock entitled to voting power, remove the entire Board of Directors or any lesser number, with or without cause.

ARTICLE V

Officers

Section 5.1 - General. The elective officers of the Corporation shall be a President, any number of Vice Presidents, a Secretary, any number of Assistant Secretaries, a Treasurer and any number of Assistant Treasurers, who shall be elected annually by the Board of Directors at its first meeting after the annual meeting of Shareholders. Unless removed in accordance with the procedures established by law and these Bylaws, the said officers shall serve until the next succeeding annual meeting of the Board of Directors and until their respective successors are elected and shall qualify. Any two or more offices may be held by the same person at the same time. The officers of the Corporation shall be natural persons of the age of eighteen (18) years or older.

Section 5.2 - Election and Term of Office. The Board may elect or appoint such other officers and agents as it may deem advisable, who shall hold office during the pleasure of the Board, and shall be paid such compensation as may be directed by the Board.

Section 5.3 - Powers and Duties. The officers of the Corporation shall respectively exercise and perform the respective powers, duties and functions as are stated below, and as may be assigned to them by the Board of Directors, not inconsistent with these Bylaws.

(a) President. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the Shareholders and of the Board of Directors. The President or a Vice President, unless some other person is specifically authorized by the Board of Directors, shall sign all stock certificates, bonds, deeds, mortgages, leases and contracts of the Corporation. The President shall perform all the duties commonly incident to his office and such other duties as the Board of Directors shall designate.

(b) Vice President. In the absence or disability of the President, the Vice President or Vice Presidents, in order of their rank as fixed by the Board of Directors, and if not ranked, the Vice Presidents in the order designated by the Board of Directors shall perform all the duties of the President, and when so acting, shall have all the powers of, and be subject to all the restrictions on the President. Each Vice President shall have such other powers and perform such other duties as may from time to time be assigned to him by the President.

(c) Secretary. The Secretary shall keep accurate minutes of all meetings of the Shareholders and the Board of Directors. He shall keep, or cause to be kept, a register of the Shareholders of the Corporation and shall be responsible for the giving of notice of meetings of the Shareholders and the Board of Directors. The Secretary shall be custodian of the records and of the seal of the Corporation and shall attest the affixing of the seal of the Corporation when so authorized. The Secretary shall perform all duties commonly incident to his office and such other duties as may from time to time be assigned to him by the President.

(d) Assistant Secretary. An Assistant Secretary may, at the request of the Secretary, or in the absence or disability of the Secretary, perform all the duties of the Secretary. He shall perform such other duties as may assigned to him by the President or by the Secretary.

(e) Treasurer. The Treasurer, subject to the order of the Board of Directors, shall have the care and custody of the money, funds, valuable papers and documents of the Corporation. He shall keep accurate books of accounts of the Corporation's transactions, which shall be the property of the Corporation, and shall render financial reports and statements of condition of the Corporation when so requested by the Board of Directors or President. The Treasurer shall perform all duties commonly incident to his office and such other duties as may from time to time be assigned to him by the President.

(f) Assistant Treasurer. An Assistant Treasurer may, at the request of the Treasurer, or in the absence or disability of the Treasurer, perform all of the duties of the Treasurer. He shall perform such other duties as may be assigned to him by the President or the Treasurer.

Section 5.4 - Salaries. All officers of the Corporation may receive salaries or other compensation if so ordered and fixed by the Board of Directors. The Board shall have the authority to fix salaries in advance for stated periods or render the same retroactive as the Board may deem advisable.

Section 5.5 - Inability to Act. In the event of absence or inability of any officer to act, the Board of Directors may delegate the power or duties of such officer to any other officer, director or person whom it may select.

Section 5.6 - Removal. Any officer or agent may be removed by the Board of Directors whenever, in its judgment, the best interest of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not, of itself, create contract rights.

ARTICLE VI

Finance

Section 6.1 - Reserve Fund. The Board of Directors, in its uncontrolled discretion, may set aside from time to time, out of the net profits or earned surplus of the Corporation, such sum or sums as it deems expedient as a reserve fund to meet contingencies, for equalizing dividends, for maintaining any property of the Corporation, and for any other purposes.

Section 6.2 - Checks and Deposits. The monies of the Corporation shall be deposited in the name of the Corporation in such bank or banks or trust companies, as the Board of Directors shall designate, and may be drawn out only on checks signed in the name of the Corporation by such person or persons as the Board of Directors by appropriate resolution may direct. Notes and commercial paper, when authorized by the Board, shall be signed in the name of the Corporation by such officer or officers or agent or agents as shall thereto be authorized from time to time.

Section 6.3 - Fiscal Year. The fiscal year of the Corporation shall end on December 31 of each year or shall be as otherwise determined by resolution of the Board of Directors.

ARTICLE VII

Bankruptcy/Insolvency

The Corporation shall not, without the affirmative vote of the whole Board of Directors of the Corporation, institute any proceedings to adjudicate the Corporation a bankrupt or insolvent, consent to the institution of bankruptcy or insolvency proceedings against the Corporation, file a petition seeking or consenting to reorganization or relief under any applicable federal or state law relating to bankruptcy, consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Corporation or a substantial part of its property or admit its inability to pay its debts generally as they become due or authorize any of the foregoing to be done or taken on behalf of the Corporation.

ARTICLE VIII

Waiver of Notice

With any notices required by law or under these Bylaws to be given to any shareholder or director of the Corporation, a waiver thereof in writing signed by the person entitled to such notice, whether before, at, or after the time stated therein shall be the equivalent to the giving of such notice.

ARTICLE IX

Indemnification of Directors, Officers and Others

Section 9.1. To the full extent permitted by Title 7, Chapter 78 of the Nevada Revised Statutes, Section 751, as the same may be amended from time to time, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he conducted himself in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 9.2. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation as director, officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the Court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

Section 9.3. To the extent that a director, officer, or employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 9.1 and 9.2 of this Article IX, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 9.4. Any indemnification under Section 9.1 and 9.2 of this Article IX (unless ordered by a Court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the office, director and employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 9.1 and 9.2 of this Article IX. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the affirmative vote of the holders of a majority of the shares entitled to vote and represented at a meeting called for such purpose.

Section 9.5. Expenses (including attorneys fees) incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation as they are incurred and in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors as provided in Section 9.4 of this Article IX upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined by a final order of a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation as authorized in this Article IX.

Section 9.6. The Board of Directors may exercise the Corporation's power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability hereunder or otherwise.

Section 9.7. The indemnification provided by this Article IX shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the Articles of Incorporation, these Bylaws, agreement, vote or shareholders or disinterested directors, Title 7, Chapter 78 of the Nevada Revised Statutes, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and representatives of such person.

Section 9.8. The Corporation shall have the power to indemnify current or former directors, officers, employees and agents to the fullest extent provided by the laws of the State of Nevada.

ARTICLE X

Amendments

These Bylaws may be altered, amended or repealed at the annual meeting of the Board of Directors or at any special meeting of the Board called for that purpose.

ARTICLE XI

Miscellaneous

Section 11.1 - Loans. The Corporation may loan money to, guarantee the obligations of and otherwise assist directors, officers and employees of the Corporation, or directors of another corporation of which the Corporation owns a majority of the voting stock, only upon compliance with the requirements of Title 7, Chapter 78 of the Nevada Revised Statutes.

No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by resolution of the Board of Directors. Such activity may be general or confined to specific instances.

Section 11.2 - Contracts. The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation. Such authority may be general or confined to specific instances.

Section 11.3 - Emergency Bylaws. Subject to repeal or change by action of the shareholders, the Board of Directors may adopt emergency Bylaws in accordance with and pursuant to the provisions of Title 7, Chapter 78 of the Nevada Revised Statutes.

/s/ David K. Moskowitz

David K. Moskowitz
Secretary

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 302 Certification

I, Charles W. Ergen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EchoStar Communications Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposed in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected , or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Charles W. Ergen
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Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 302 Certification

I, Michael R. McDonnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EchoStar Communications Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposed in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected , or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ Michael R. McDonnell

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Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of EchoStar Communications Corporation (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2003

Name: /s/ Charles W. Ergen

Title: Chairman of the Board of Directors
and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
Section 906 Certification

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of EchoStar Communications Corporation (the "Company"), hereby certifies that the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 13, 2003

Name: /s/ Michael R. McDonnell

Title: Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.