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

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

[ ] 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 X NO

AS OF JULY 31, 1998, THE REGISTRANT'S OUTSTANDING COMMON STOCK CONSISTED OF 15,205,794 SHARES OF CLASS A COMMON STOCK AND 29,804,401 SHARES OF CLASS B COMMON STOCK.

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PART I - FINANCIAL INFORMATION

DISH NETWORK-SM- IS A SERVICE MARK OF ECHOSTAR COMMUNICATIONS CORPORATION.

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

	DECEMBER 31, 1997	JUNE 30, 1998
ASSETS		(Unaudited)
Current Assets:		
Cash and cash equivalents	$145,207	$259,571
Marketable investment securities	275,307	131,289
Trade accounts receivable, net of allowance for uncollectible accounts of $1,347 and $3,272, respectively	66,074	95,072
Inventories	22,993	53,540
Subscriber acquisition costs, net	18,869	1,964
Other current assets	15,655	16,090
Total current assets	544,105	557,526
Restricted Cash and Marketable Investment Securities:		
Satellite escrow	73,233	24,284
Interest escrow	112,284	90,599
Other	2,245	2,245
Total restricted cash and marketable investment securities	187,762	117,128
Property and equipment, net	874,859	990,395
FCC authorizations, net	99,388	103,682
Other noncurrent assets	99,532	94,519
Total assets	$1,805,646	$1,863,250
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Trade accounts payable	$67,701	$100,677
Deferred revenue	122,707	109,430
Accrued expenses	102,287	158,408
Current portion of long-term debt	17,885	20,707
Total current liabilities	310,580	389,222
Long-term obligations, net of current portion:		
1994 Notes	499,863	534,330
1996 Notes	438,512	467,005
1997 Notes	375,000	375,000
Mortgages and other notes payable, net of current portion	51,846	53,807
Long-term deferred satellite services revenue and other long-term liabilities	19,642	25,801
Total long-term obligations, net of current portion	1,384,863	1,455,943
Total liabilities	1,695,443	1,845,165
12 1/8% Series B Senior Redeemable Exchangeable Preferred Stock, $.01 par value, 900,000 shares authorized; 200,000 and 212,239 shares issued and outstanding, respectively; subject to mandatory redemption on July 1, 2004 at a price of $1,000 per share plus all accumulated and unpaid dividends	199,164	212,200
Commitments and Contingencies (Note 7)		
Stockholders' Equity (Deficit):		
Preferred Stock (Note 6)	121,132	125,216
Class A Common Stock, $.01 par value, 200,000,000 shares authorized, 15,005,670 and 15,202,475 shares issued and outstanding, respectively	150	152
Class B Common Stock, $.01 par value, 100,000,000 shares authorized, 29,804,401 shares issued and outstanding	298	298
Class C Common Stock, $.01 par value, 100,000,000 shares authorized, none outstanding	-	-
Common Stock Warrants	12	12
Additional paid-in capital	226,462	229,926
Accumulated other comprehensive loss (Note 2)	(19)	-
Accumulated deficit	(436,996)	(549,719)
Total stockholders' equity (deficit)	(88,961)	(194,115)
Total liabilities and stockholders' equity (deficit)	$1,805,646	$1,863,250

See accompanying Notes to 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,	
	1997	1998	1997	1998
REVENUE:				
DISH Network:				
Subscription television services	$ 62,858	$ 151,527	$ 110,908	$ 280,068
Other	12,698	3,508	21,392	10,143
Total DISH Network	75,556	155,035	132,300	290,211
DTH equipment sales and integration services	13,713	80,445	16,067	147,839
Satellite services	2,045	5,774	4,210	10,369
C-band and other	7,377	4,584	15,638	11,858
Total revenue	98,691	245,838	168,215	460,277
COSTS AND EXPENSES:				
DISH Network Operating Expenses:				
Subscriber-related expenses	31,505	69,388	54,575	133,197
Customer service center and other	5,964	14,380	12,435	26,115
Satellite and transmission	3,452	5,460	6,234	10,712
Total DISH Network operating expenses	40,921	89,228	73,244	170,024
Cost of sales - DTH equipment and integration services	12,213	53,895	14,699	101,402
Cost of sales - C-band and other	5,127	3,282	11,135	9,224
Marketing:				
Subscriber promotion subsidies	17,871	58,205	31,013	102,170
Advertising and other	4,038	9,339	7,318	17,592
Total marketing expenses	21,909	67,544	38,331	119,762
General and administrative	15,542	23,488	31,648	43,182
Amortization of subscriber acquisition costs	33,268	5,886	61,418	16,905
Depreciation and amortization	12,732	18,759	25,357	37,187
Total costs and expenses	141,712	262,082	255,832	497,686
Operating loss	(43,021)	(16,244)	(87,617)	(37,409)
Other Income (Expense):				
Interest income	1,571	7,898	3,343	16,832
Interest expense, net of amounts capitalized	(22,197)	(36,546)	(42,043)	(73,920)
Other	(117)	(713)	(294)	(823)
Total other income (expense)	(20,743)	(29,361)	(38,994)	(57,911)
Loss before income taxes	(63,764)	(45,605)	(126,611)	(95,320)
Income tax provision, net	(25)	(112)	(44)	(283)
Net loss	(63,789)	(45,717)	(126,655)	(95,603)
8% Series A Cumulative Preferred Stock dividends	(301)	(301)	(602)	(602)
12 1/8 % Series B Senior Redeemable Exchangeable Preferred Stock dividends payable in-kind	-	(6,615)	-	(13,036)
Accretion of 6 3/4 % Series C Cumulative Convertible Preferred Stock	-	(1,761)	-	(3,482)
Numerator for basic and diluted loss per share - loss attributable to common shareholders	$ (64,090)	$ (54,394)	$(127,257)	$(112,723)
Denominator for basic and diluted loss per share - weighted-average common shares outstanding	41,604	44,937	41,265	44,874
Basic and diluted loss per share	$ (1.54)	$ (1.21)	$ (3.08)	$ (2.51)

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	SIX MONTHS ENDED JUNE 30,	
	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(126,655)	$ (95,603)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	25,357	37,187
Amortization of subscriber acquisition costs	61,418	16,905
Amortization of debt discount and deferred financing costs	38,731	56,387
Change in reserve for excess and obsolete inventory	1,987	17
Change in long-term deferred satellite services revenue and other long-term liabilities	5,905	6,159
Other, net	(311)	2,245
Changes in current assets and current liabilities, net	(15,623)	(3,864)
Net cash flows from operating activities	(9,191)	19,433
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable investment securities	(4,706)	(253,412)
Sales of marketable investment securities	18,561	397,440
Purchases of restricted marketable investment securities	(1,645)	-
Funds released from escrow and restricted cash and marketable investment securities	72,975	74,735
Offering proceeds and investment earnings placed in escrow	(221,654)	(4,081)
Purchases of property and equipment	(67,104)	(110,149)
Issuance of note receivable	-	(6,200)
Payments received on note receivable	-	3,170
Other	(1,107)	393
Net cash flows from investing activities	(204,680)	101,896
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of 1997 Notes	362,500	-
Repayments of mortgage indebtedness and notes payable	(5,551)	(8,167)
Net proceeds from Class A Common Stock options exercised and Class A Common Stock issued to Employee Stock Purchase Plan	543	1,202
Net cash flows from financing activities	357,492	(6,965)
Net increase in cash and cash equivalents	143,621	114,364
Cash and cash equivalents, beginning of period	39,231	145,207
Cash and cash equivalents, end of period	$ 182,852	$ 259,571
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Capitalized interest	$ 16,632	$ 17,868
Accrued capital expenditures	32,950	16,050
Satellite vendor financing	-	12,950
8% Series A Cumulative Preferred Stock dividends	602	602
12 1/8 % Series B Senior Redeemable Exchangeable Preferred Stock dividends payable in-kind	-	13,036
Accretion of 6 3/4 % Series C Cumulative Convertible Preferred Stock	-	3,482
The purchase price of DBSC was allocated as follows in the related purchase accounting:		
EchoStar III satellite under construction	51,241	-
FCC authorizations	16,651	-
Notes receivable from DBSC, including accrued interest of $3,382	(49,382)	-
Investment in DBSC	(4,044)	-
Accounts payable and accrued expenses	(1,974)	-
Other notes payable	(500)	-
Common stock and additional paid-in capital	(11,992)	-

See accompanying Notes to Condensed Consolidated Financial Statements.

1. ORGANIZATION AND BUSINESS ACTIVITIES

PRINCIPAL BUSINESS

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

- THE DISH NETWORK - a direct broadcast satellite ("DBS") subscription television service in the United States. As of June 30, 1998, EchoStar had approximately 1.4 million DISH Network subscribers.

- ECHOSTAR TECHNOLOGIES CORPORATION ("TECHNOLOGY") - the design, manufacture, distribution and sale of DBS set-top boxes, antennae and other digital equipment for the DISH Network ("EchoStar Receiver Systems"), and the design, manufacture and distribution of similar equipment for direct-to-home ("DTH") projects of others internationally, together with the provision of uplink center design, construction oversight and other project integration services for international DTH ventures.

- SATELLITE SERVICES - the turn-key delivery of video, audio and data services to business television customers and other satellite users. These services include satellite uplink services, satellite transponder space usage, and other services.

Since 1994, EchoStar has deployed substantial resources to develop the "EchoStar DBS System." The EchoStar DBS System consists of EchoStar's FCC-allocated DBS spectrum, DBS satellites ("EchoStar I," "EchoStar II," "EchoStar III," and "EchoStar IV"), digital satellite receivers, digital broadcast operations center, customer service facilities, and other assets utilized in its operations. EchoStar's principal business strategy is to continue developing its subscription television service in the U.S. 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 footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, 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 three and six months ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in EchoStar's Annual Report on Form 10-K for the year ended December 31, 1997. 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 management 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.

BASIC AND DILUTED LOSS PER SHARE

As of June 30, 1997 and 1998, options to purchase approximately 1,423,000 and 1,685,000 shares of Class A Common Stock were outstanding, respectively. Common stock equivalents (employee stock options and warrants) are excluded from the calculation of diluted loss per share as they are antidilutive. Securities which are convertible into shares of Class A Common Stock (8% Series A Cumulative Preferred Stock and 6 3/4% Series C Cumulative Convertible Preferred Stock) also are excluded from the calculation of diluted loss per share as they are antidilutive. As of June 30, 1997 and 1998, approximately 1,617,000 shares of Class A Common Stock were issuable upon conversion of the 8% Series A Cumulative Preferred Stock. In addition, as of June 30, 1998, approximately 4,715,000 shares of Class A Common Stock were issuable upon conversion of the 6 3/4% Series C Cumulative Convertible Preferred Stock.

COMPREHENSIVE INCOME

EchoStar adopted Statement of Financial Accounting Standards ("FAS") No. 130, "Reporting Comprehensive Income" ("FAS No. 130") effective as of the first quarter of 1998. FAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components, however it has no impact on the Company's net income or stockholders' equity. The components of comprehensive loss, net of tax, are as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1997	1998	1997	1998
	(Unaudited)		(Unaudited)	
Net loss	$(63,789)	$(45,717)	$(126,655)	$(95,603)
Change in unrealized gain (loss) on available-for-sales securities	1	-	-	19
Comprehensive loss	$(63,788)	$(45,717)	$(126,655)	$(95,584)

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

3. INVENTORIES

Inventories consist of the following (in thousands):

	DECEMBER 31, 1997	JUNE 30, 1998
		(Unaudited)
EchoStar Receiver Systems	$ 7,649	$25,967
DBS receiver components	12,506	24,254
Consigned DBS receiver components	3,122	4,135
Finished goods - analog DTH equipment	2,116	1,959
Spare parts and other	1,440	1,082
Reserve for excess and obsolete inventory	(3,840)	(3,857)
	$ 22,993	$53,540

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	LIFE (IN YEARS)	DECEMBER 31, 1997	JUNE 30, 1998
			(Unaudited)
EchoStar I	12	$ 201,607	$ 201,607
EchoStar II	12	228,694	228,694
EchoStar III	12	-	234,083
Furniture, fixtures and equipment	2-12	92,264	108,546
Buildings and improvements	7-40	28,101	41,356
Land	-	6,356	6,670
Tooling and other	2	4,336	5,182
Vehicles	7	1,320	1,290
Construction in progress	-	398,142	285,690
Total property and equipment		960,820	1,113,118
Accumulated depreciation		(85,961)	(122,723)
Property and equipment, net		$ 874,859	$ 990,395

Construction in progress consists of the following (in thousands):

	DECEMBER 31, 1997	JUNE 30, 1998
		(Unaudited)
Progress amounts for satellite construction, launch, launch insurance and capitalized interest:		
EchoStar III	$234,083	$ -
EchoStar IV	119,853	208,450
Other	44,206	77,240
	$398,142	$285,690

EchoStar III, which was launched in October 1997, commenced commercial operation in January 1998. EchoStar IV, which was launched in May 1998, is expected to commence commercial operation in the third quarter of 1998.

5. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	DECEMBER 31, 1997	JUNE 30, 1998
		(Unaudited)
Accrued expenses	$ 31,415	$ 46,488
Accrued royalties and copyright	21,573	37,975
Accrued programming	20,018	25,516
Accrued marketing expenses	4,660	24,375
Accrued interest	24,621	24,054
	$ 102,287	$158,408

6. PREFERRED STOCK

Preferred Stock consists of the following (in thousands, except share data):

	DECEMBER 31, 1997	JUNE 30, 1998
		(Unaudited)
Preferred Stock, 20,000,000 shares authorized (inclusive of 900,000 shares designated as Series B Preferred Stock):		
8% Series A Cumulative Preferred Stock, 1,616,681 shares issued and outstanding, including cumulative accrued dividends of $4,551 and $5,153, respectively.............	$ 19,603	$ 20,205
6 3/4% Series C Cumulative Convertible Preferred Stock, 2,300,000 shares issued and outstanding.................................	101,529	105,011
Total Preferred Stock..........................	$ 121,132	$ 125,216

7. COMMITMENTS AND CONTINGENCIES

During February 1997, EchoStar and The News Corporation Limited ("News") announced an agreement (the "News Agreement") pursuant to which, among other things, News agreed to acquire approximately 50% of the outstanding capital stock of EchoStar. News also agreed to make available for use by EchoStar the DBS permit for 28 frequencies at 110DEG. West Longitude purchased by MCI Communications Corporation for over $682 million following a 1996 FCC auction. During late April 1997, substantial disagreements arose between the parties regarding their obligations under the News Agreement.

In May 1997, EchoStar filed a Complaint requesting that the Court confirm EchoStar's position and declare that News is obligated pursuant to the News Agreement to lend $200 million to EchoStar without interest and upon such other terms as the Court orders. EchoStar also filed a First Amended Complaint significantly expanding the scope of the litigation, to include breach of contract, failure to act in good faith, and other causes of action. EchoStar seeks specific performance of the News Agreement and damages, including lost profits based on, among other things, a jointly prepared ten-year business plan showing expected profits for EchoStar in excess of $10 billion based on consummation of the transactions contemplated by the News Agreement.

In June 1997, News filed an answer and counterclaims seeking unspecified damages. News' answer denies all of the material allegations in the First Amended Complaint and asserts numerous defenses, including bad faith, misconduct and failure to disclose material information on the part of EchoStar and its Chairman and Chief Executive Officer, Charles W. Ergen. The counterclaims, in which News is joined by its subsidiary American Sky Broadcasting, L.L.C., assert that EchoStar and Ergen breached their agreements with News and failed to act and negotiate with News in good faith. EchoStar has responded to News' answer and denied the allegations in their counterclaims. EchoStar also has asserted various affirmative defenses. EchoStar is vigorously defending against the counterclaims. The case has been set for trial commencing March 1999, but that date could be postponed.

While EchoStar is confident of its position and believes it will ultimately prevail, the litigation process could continue for many years and there can be no assurance concerning the outcome of the litigation.

EchoStar is subject to various other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to those actions will not materially affect the financial position or results of operations of EchoStar.

In November 1998 and 1999, certain meteoroid events will occur as the earth's orbit passes through the particulate trail of Comet 55P (Tempel-Tuttle). These meteoroid events pose a potential threat to all in-orbit geosynchronous satellites, including EchoStar's DBS satellites. EchoStar is presently evaluating the potential effects that these meteoroid events may have on its DBS satellites. At this time, EchoStar has not finally determined the impact, if any, these meteoroid events could have on EchoStar's DBS satellites. However, many of the most sophisticated satellite operators have assessed the risk of satellite damage as very small.

8. SUBSEQUENT EVENTS

EchoStar IV was launched on May 8, 1998 from the Baikonur Cosmodrome, Kazakhstan and was originally expected to provide video, audio and data services to the continental United States, Alaska and Hawaii from the 119 DEG. West Longitude ("WL") orbital location. Following launch and deployment of EchoStar IV, EchoStar I was expected to be relocated from its current position at 119 DEG. WL to the 148 DEG. WL orbital location. As a result of anomalies described below, EchoStar IV has instead been moved to the 148 DEG. WL orbital location where it is expected to provide local, educational, foreign language and other niche service to customers in the Western United States. EchoStar I and EchoStar II will remain at 119 DEG. WL and will continue to provide DISH Network service without interruption or change.

As previously announced, the south solar array on EchoStar IV did not properly deploy, resulting in a reduction of power available to operate the satellite. While final evaluations have not been completed, it now appears likely that this anomaly will limit EchoStar to operation of a maximum of 22 transponders on the satellite. The number of available transponders will decrease over time, but based on existing data approximately 16 transponders should be available for the full planned 12 year life of the satellite absent additional failures.

An unrelated anomaly discovered subsequent to June 30, 1998 has resulted in the failure of four primary transponders (transponders 5, 6, 9 and 10), and two spare transponders on the satellite. The cause of this anomaly has not yet been established. EchoStar recently received notification from the manufacturer of the satellite, Lockheed Martin, that several transponders, in addition to those which have failed, are not recommended for use until the root cause of the anomaly has been determined and corrective procedures, if possible, are implemented to avoid further failures.

While EchoStar IV is equipped with 32 transponders, EchoStar is only licensed by the Federal Communications Commission ("FCC") to use 24 of the total of 32 frequencies at the 148 DEG. WL orbital location, including frequencies 5, 6, 9 and 10, which correspond to the failed transponders. Consequently, while power continues to be available to operate 22 transponders on the satellite, to fully utilize the remaining available capacity of the satellite, EchoStar will need to file an application with the FCC to obtain authorization to operate transponders which correspond to frequencies which are not currently assigned to EchoStar by the FCC.

EchoStar will also need to obtain FCC approval to operate EchoStar IV at 148 DEG. WL on a permanent basis. FCC rules require that DBS satellites positioned at 148 DEG. WL also provide service to Alaska and Hawaii. In April 1998, EchoStar received a waiver from the FCC with respect to this obligation because EchoStar planned to provide DBS service to those states via EchoStar IV from the 119 DEG. WL orbital location. As a result of moving EchoStar IV to the 148 DEG. WL orbital location, EchoStar will not be able to provide DBS service to Alaska and Hawaii from 119 DEG. WL and probably will not be able to fulfill its original obligation to provide DBS service to Alaska and Hawaii from 148 DEG. WL. Consequently, EchoStar will probably need to obtain a waiver of its obligation to provide service to Alaska and Hawaii in connection with its application to operate EchoStar IV at 148 DEG. WL on a permanent basis.

While the FCC has typically shown flexibility when satellite failures occur, there can be no assurance that EchoStar's request will be granted. Further, it is likely that EchoStar will encounter opposition from certain parties, including those attempting to enforce the obligation to serve Alaska and Hawaii. To minimize potential opposition, EchoStar intends to enter into an agreement with a third-party to provide DTH programming services to Alaska and Hawaii on an interim basis on an FSS satellite. EchoStar also intends to construct and launch a replacement satellite at 119 DEG. WL which would provide service to Alaska and Hawaii. If the FCC were to deny EchoStar's request, EchoStar's ability to provide DBS service from EchoStar IV would be significantly reduced.

EchoStar will file an insurance claim with respect to EchoStar IV in the near future. The Company expects to use insurance proceeds, together with other funds, to launch a new DBS satellite to its 119 DEG. WL orbital location in approximately three years or less. EchoStar also expects to file an insurance claim with respect to EchoStar III, which was launched October 5, 1997. Certain of EchoStar III's electric power converters ("EPC") are operating at temperatures slightly outside of engineering specifications. The high EPC temperatures may require certain transponders on EchoStar III to be turned off for several weeks during summer and winter solstice seasons to avoid overheating.

Based on information currently available, management has evaluated the potential financial statement impact of these satellite anomalies in accordance with its stated accounting policies. The Company has not completed its assessment of the impairment of these satellites, but currently believes insurance proceeds will be sufficient to offset any write-downs of its satellite assets that are required because of lost transmission capacity caused by these anomalies. However, no assurance can be provided as to the ultimate amount that may be received from these insurance claims. EchoStar will continue to evaluate the operating performance of EchoStar III and EchoStar IV and may modify its loss assessment as new events or circumstances develop. EchoStar does not maintain insurance for lost profit opportunity.

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

ALL STATEMENTS CONTAINED HEREIN, AS WELL AS STATEMENTS MADE IN PRESS RELEASES AND ORAL STATEMENTS THAT MAY BE MADE BY ECHOSTAR OR BY OFFICERS, DIRECTORS OR EMPLOYEES OF ECHOSTAR ACTING ON ITS BEHALF, THAT ARE NOT STATEMENTS OF HISTORICAL FACT CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT COULD CAUSE THE ACTUAL RESULTS OF ECHOSTAR TO BE MATERIALLY DIFFERENT FROM HISTORICAL RESULTS OR FROM ANY FUTURE RESULTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. AMONG THE FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY ARE THE FOLLOWING: A TOTAL OR PARTIAL LOSS OF A SATELLITE DUE TO OPERATIONAL FAILURES, SPACE DEBRIS OR OTHERWISE; A DECREASE IN SALES OF DIGITAL EQUIPMENT AND RELATED SERVICES TO INTERNATIONAL DIRECT-TO-HOME ("DTH") SERVICE PROVIDERS; A DECREASE IN DISH NETWORK SUBSCRIBER GROWTH; AN INCREASE IN SUBSCRIBER ACQUISITION COSTS AND SUBSCRIBER PROMOTION SUBSIDIES; AN UNEXPECTED PRODUCT SHORTAGE; IMPEDIMENTS TO THE RETRANSMISSION OF LOCAL OR DISTANT BROADCAST NETWORK SIGNALS; LOWER THAN EXPECTED DEMAND FOR ECHOSTAR'S DELIVERY OF LOCAL BROADCAST NETWORK SIGNALS; AN UNEXPECTED BUSINESS INTERRUPTION DUE TO THE FAILURE OF THIRD-PARTIES TO REMEDIATE YEAR 2000 ISSUES; THE INABILITY OF ECHOSTAR TO RETAIN NECESSARY AUTHORIZATIONS FROM THE FEDERAL COMMUNICATIONS COMMISSION ("FCC"); AN INCREASE IN COMPETITION FROM CABLE, DIRECT BROADCAST SATELLITE ("DBS"), OTHER SATELLITE SYSTEM OPERATORS, AND OTHER PROVIDERS OF SUBSCRIPTION TELEVISION SERVICES; THE INTRODUCTION OF NEW TECHNOLOGIES AND COMPETITORS INTO THE SUBSCRIPTION TELEVISION BUSINESS; THE OUTCOME OF ANY LITIGATION IN WHICH ECHOSTAR MAY BE INVOLVED; GENERAL BUSINESS AND ECONOMIC CONDITIONS; AND OTHER RISK FACTORS DESCRIBED FROM TIME TO TIME IN ECHOSTAR'S REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"). IN ADDITION TO STATEMENTS THAT EXPLICITLY DESCRIBE SUCH RISKS AND UNCERTAINTIES, READERS ARE URGED TO CONSIDER STATEMENTS THAT INCLUDE THE TERMS "BELIEVES," "BELIEF," "EXPECTS," "PLANS," "ANTICIPATES," "INTENDS" OR THE LIKE TO BE UNCERTAIN AND FORWARD-LOOKING. 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.

OVERVIEW

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

- THE DISH NETWORK - a DBS subscription television service in the United States. As of June 30, 1998, EchoStar had approximately 1.4 million DISH Network subscribers.

- ECHOSTAR TECHNOLOGIES CORPORATION ("TECHNOLOGY") - the design, manufacture, distribution and sale of DBS set-top boxes, antennae and other digital equipment for the DISH Network ("EchoStar Receiver Systems"), and the design, manufacture and distribution of similar equipment for direct-to-home ("DTH") projects of others internationally, together with the provision of uplink center design, construction oversight and other project integration services for international DTH ventures.

- SATELLITE SERVICES - the turn-key delivery of video, audio and data services to business television customers and other satellite users. These services include satellite uplink services, satellite transponder space usage, and other services.

Since 1994, EchoStar has deployed substantial resources to develop the "EchoStar DBS System." The EchoStar DBS System consists of EchoStar's FCC-allocated DBS spectrum, DBS satellites ("EchoStar I," "EchoStar II," "EchoStar III," and "EchoStar IV"), digital satellite receivers, digital broadcast operations center, customer service facilities, and other assets utilized in its operations. EchoStar's principal business strategy is to continue developing its subscription television service in the U.S. to provide consumers with a fully competitive alternative to cable television service.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

RECENT DEVELOPMENTS

SATELLITE ANOMALIES

EchoStar IV was launched on May 8, 1998 from the Baikonur Cosmodrome, Kazakhstan and was originally expected to provide video, audio and data services to the continental United States, Alaska and Hawaii from the 119 DEG. West Longitude ("WL") orbital location. Following launch and deployment of EchoStar IV, EchoStar I was expected to be relocated from its current position at 119 DEG. WL to the 148 DEG. WL orbital location. As a result of anomalies described below, EchoStar IV has instead been moved to the 148 DEG. WL orbital location where it is expected to provide local, educational, foreign language and other niche service to customers in the Western United States. EchoStar I and EchoStar II will remain at 119 DEG. WL and will continue to provide DISH Network service without interruption or change.

As previously announced, the south solar array on EchoStar IV did not properly deploy, resulting in a reduction of power available to operate the satellite. While final evaluations have not been completed, it now appears likely that this anomaly will limit EchoStar to operation of a maximum of 22 transponders on the satellite. The number of available transponders will decrease over time, but based on existing data approximately 16 transponders should be available for the full planned 12 year life of the satellite absent additional failures.

An unrelated anomaly discovered subsequent to June 30, 1998 has resulted in the failure of four primary transponders (transponders 5, 6, 9 and 10), and two spare transponders on the satellite. The cause of this anomaly has not yet been established. EchoStar recently received notification from the manufacturer of the satellite, Lockheed Martin, that several transponders, in addition to those which have failed, are not recommended for use until the root cause of the anomaly has been determined and corrective procedures, if possible, are implemented to avoid further failures.

While EchoStar IV is equipped with 32 transponders, EchoStar is only licensed by the Federal Communications Commission ("FCC") to use 24 of the total of 32 frequencies at the 148 DEG. WL orbital location, including frequencies 5, 6, 9 and 10, which correspond to the failed transponders. Consequently, while power continues to be available to operate 22 transponders on the satellite, to fully utilize the remaining available capacity of the satellite, EchoStar will need to file an application with the FCC to obtain authorization to operate transponders which correspond to frequencies which are not currently assigned to EchoStar by the FCC.

EchoStar will also need to obtain FCC approval to operate EchoStar IV at 148 DEG. WL on a permanent basis. FCC rules require that DBS satellites positioned at 148 DEG. WL also provide service to Alaska and Hawaii. In April 1998, EchoStar received a waiver from the FCC with respect to this obligation because EchoStar planned to provide DBS service to those states via EchoStar IV from the 119 DEG. WL orbital location. As a result of moving EchoStar IV to the 148 DEG. WL orbital location, EchoStar will not be able to provide DBS service to Alaska and Hawaii from 119 DEG. WL and probably will not be able to fulfill its original obligation to provide DBS service to Alaska and Hawaii from 148 DEG. WL. Consequently, EchoStar will probably need to obtain a waiver of its obligation to provide service to Alaska and Hawaii in connection with its application to operate EchoStar IV at 148 DEG. WL on a permanent basis.

While the FCC has typically shown flexibility when satellite failures occur, there can be no assurance that EchoStar's request will be granted. Further, it is likely that EchoStar will encounter opposition from certain parties, including those attempting to enforce the obligation to serve Alaska and Hawaii. To minimize potential opposition, EchoStar intends to enter into an agreement with a third-party to provide DTH programming services to Alaska and Hawaii on an interim basis on an FSS satellite. EchoStar also intends to construct and launch a replacement satellite at 119 DEG. WL which would provide service to Alaska and Hawaii. If the FCC were to deny EchoStar's request, EchoStar's ability to provide DBS service from EchoStar IV would be significantly reduced.

EchoStar will file an insurance claim with respect to EchoStar IV in the near future. The Company expects to use insurance proceeds, together with other funds, to launch a new DBS satellite to its 119 DEG. WL orbital location in approximately three years or less. EchoStar also expects to file an insurance claim with respect to EchoStar III, which was launched October 5, 1997. Certain of EchoStar III's electric power converters ("EPC") are operating at temperatures slightly outside of engineering specifications. The high EPC temperatures may require certain transponders on EchoStar III to be turned off for several weeks during summer and winter solstice seasons to avoid overheating.

Based on information currently available, management has evaluated the potential financial statement impact of these satellite anomalies in accordance with its stated accounting policies. The Company has not completed its assessment of the impairment of these satellites, but currently believes insurance proceeds will be sufficient to offset any write-downs of its satellite assets that are required because of lost transmission capacity caused by these anomalies. However, no assurance can be provided as to the ultimate amount that may be received from these insurance claims. EchoStar will continue to evaluate the operating performance of EchoStar III and EchoStar IV and may modify its loss assessment as new events or circumstances develop. EchoStar does not maintain insurance for lost profit opportunity.

PRIMETIME 24

Section 119 of the Satellite Home Viewer Act ("SHVA") authorizes EchoStar to sell satellite delivered network signals (ABC, NBC, CBS Fox, etc.) to EchoStar subscribers, but only if those subscribers qualify as "unserved" households as that term is defined in the SHVA. Historically, EchoStar obtained broadcast network signals for distribution to its subscribers through PrimeTime 24, Joint Venture ("PrimeTime 24"). PrimeTime 24 also distributes network signals to certain of EchoStar's competitors in the satellite industry.

Recently, a federal court in Florida issued a nationwide injunction in CBS INC., FOX BROADCASTING CO., ET. AL. V. PRIMETIME 24, JOINT VENTURE, NO. 96-3650-CIV-NESBITT (S.D. FLA. JULY 10, 1998), severely restricting the ability of PrimeTime 24 and its distributors to sell Fox and CBS programming, and requiring the disconnection of significant numbers of existing PrimeTime 24 subscribers nationwide by early October 1998. The order also imposed other obligations on PrimeTime 24 and its distributors with respect to future sales of Fox and CBS programming nationwide. Additionally, in a federal court suit in North Carolina, ABC, INC., V. PRIMETIME 24, JOINT VENTURE, NO. 1:97CV00090 (M.D.N.C. JULY 16, 1998), a judge recently granted summary judgement to ABC severely restricting the ability of PrimeTime 24 to sell ABC programming in Raleigh-Durham.

As a result of: (a) these rulings; (b) EchoStar's determination to sell local network channels back into the area from which they originate; (c) 1997 adjustments to copyright royalties payable in connection with delivery of network signals by satellite; and (d) a number of other regulatory, political, legal, contractual and business factors, during July 1998, EchoStar ceased delivering PrimeTime 24 programming, and began uplinking and distributing network signals directly. EchoStar has also implemented Section 119 compliance procedures which will materially restrict the market for the sale of network signals by EchoStar. It is also possible that some or all of the networks, and/or their affiliates, will bring copyright infringement actions against EchoStar, similar to those described above, in the near future. In the event of a decision adverse to EchoStar in any such litigation, significant damage awards and additional material restrictions on the sale of network signals by EchoStar could result. Among other things, EchoStar may be required to terminate delivery of network signals to a material portion of its subscriber base. The compliance program implemented by EchoStar, and any further restrictions on sale of network channels imposed in the future, may result in decreases in subscriber activations and subscription television services revenue and an increase in subscriber churn.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1998 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 1997.

REVENUE. Total revenue for the three months ended June 30, 1998 was $246 million, an increase of $147 million or 149%, as compared to total revenue for the three months ended June 30, 1997 of $99 million. The increase in total revenue was primarily attributable to DISH Network subscriber growth combined with increased revenue from EchoStar's Technology business unit. EchoStar expects that its revenues will continue to increase as the number of DISH Network subscribers increases. Consistent with the increases in total revenue and the number of DISH Network subscribers during the three months ended June 30, 1998, EchoStar experienced a corresponding increase in trade accounts receivable at June 30, 1998.

DISH Network subscription television services revenue totaled $152 million for the three months ended June 30, 1998, an increase of $89 million, or 141% compared to the same period in 1997. This increase was directly attributable to the increase in the number of DISH Network subscribers. The average number of DISH Network subscribers during the three months ended June 30, 1998 increased approximately 160%, as compared to the same period in 1997. Monthly revenue per subscriber approximated $39 during each of the three-month periods ended June 30, 1998 and 1997. DISH Network subscription television services revenue principally consists of revenue from basic, premium and pay-per-view subscription television services. DISH Network subscription television services revenue will continue to increase to the extent EchoStar is successful in increasing the number of DISH Network subscribers.

For the three months ended June 30, 1998, DTH equipment sales and integration services totaled $80 million, an increase of $66 million compared to the three months ended June 30, 1997. DTH equipment sales consist of sales of digital set-top boxes and other digital satellite broadcasting equipment by EchoStar to international DTH service operators. EchoStar currently has agreements to provide equipment to DTH service operators in Spain and Canada. Sales pursuant to these agreements totaled $74 million for the three months ended June 30, 1998, an increase of $62 million, as compared to $12 million for the three months ended June 30, 1997. Revenue for the three months ended June 30, 1998 primarily related to sales of digital set-top boxes and other equipment while revenue for the same period in 1997 resulted from the provision of integration services. The increase in DTH equipment sales and integration services revenue was primarily attributable to an increase in the volume of set-top boxes sold.

A substantial portion of EchoStar's Technology revenues have resulted from sales to two DTH providers. As a result, EchoStar's Technology business currently is economically dependent on these two DTH providers. EchoStar's future revenue from the sale of DTH equipment and integration services in international markets depends largely on the success of these DTH operators and continued demand for EchoStar's digital set-top boxes. Due to several factors, EchoStar expects that its DTH equipment and integration services revenue may decline during the third and fourth quarters of 1998 by as much as 30% to 40% as compared to such revenue reported during the first and second quarters of 1998. These factors include an expected decrease in demand resulting from the fulfillment of initial stock orders combined with a decrease in the sales price of digital set-top boxes due to increased competition from other providers of DTH equipment. Further, during July 1998 Telefonica S.A. ("Telefonica"), one of the two DTH service providers described above, announced its intention to merge with Sogecable ("Canal Plus Satellite"), one of its primary competitors. In addition to providing competitive DTH services in Spain, the Canal Plus system in Spain has more set-top boxes in the field than Telefonica, and its conditional access and compression systems are not compatible with the equipment manufactured by EchoStar for Telefonica. EchoStar can not yet determine the possible impact that such a merger might have on future sales to Telefonica. EchoStar has binding purchase orders from Telefonica for additional 1998 and 1999 deliveries of DTH equipment. While EchoStar continues to actively pursue additional distribution and integration service opportunities, no assurance can be given that any such additional negotiations will be successful.

Satellite services revenue totaled $6 million for the three months ended June 30, 1998, an increase of $4 million as compared to the same period in 1997. These revenues include, among other things, fees charged to content providers for signal carriage and revenues earned from business television ("BTV") customers. The increase in satellite services revenue was primarily attributable to increased BTV revenue.

DISH NETWORK OPERATING EXPENSES. DISH Network operating expenses totaled $89 million for the three months ended June 30, 1998, an increase of $48 million as compared to the same period in 1997. The increase in DISH Network operating expenses was consistent with, and primarily attributable to, the increase in the number of DISH Network subscribers. For the three months ended June 30, 1998, DISH Network operating expenses represented 59% of subscription television services revenue compared to 65% of subscription television revenue during the corresponding period in 1997. While EchoStar expects DISH Network operating expenses as a percentage of subscription television services revenue to approximate this level in future periods, there can be no assurance that this expense to revenue ratio will not increase.

Subscriber-related expenses totaled $69 million for the three months ended June 30, 1998, an increase of $37 million compared to the same period in 1997. Such expenses, which include programming expenses, copyright royalties, residuals payable to retailers and distributors, and billing, lockbox and other variable subscriber expenses, totaled 46% of subscription television services revenues for the three months ended June 30, 1998, compared to 50% of subscription television services revenues for the three months ended June 30, 1997. The decrease in subscriber-related expenses as a percentage of subscription television services revenue resulted primarily from a decrease in programming expenses, which resulted from a change in product mix combined with price discounts received from certain content providers.

Customer service center and other expenses principally consist of costs incurred in the operation of EchoStar's DISH Network customer service center, such as personnel and telephone expenses, as well as subscriber equipment installation and other operating expenses. Customer service center and other expenses totaled $14 million for the three months ended June 30, 1998, an increase of $8 million as compared to the three months ended June 30, 1997. The increase in customer service center and other expenses resulted from increased personnel expenses to support the growth of the DISH Network. Customer service center and other expenses totaled 9% of subscription television services revenue during each of the three-month periods ended June 30, 1998 and 1997. While EchoStar expects customer service center and other expenses as a percentage of subscription television services revenue to approximate this level for the remainder of 1998, there can be no assurance that this expense to revenue ratio will not increase.

Satellite and transmission expenses include expenses associated with the operation of EchoStar's digital broadcast center, contracted satellite tracking, telemetry and control ("TT&C") services, and in-orbit insurance on EchoStar's DBS satellites. Satellite and transmission expenses increased $2 million during the three months ended June 30, 1998, as compared to the same period during 1997. This increase resulted from higher TT&C services expenses and other digital broadcast center operating expenses due to an increase in the number of operational EchoStar satellites. EchoStar expects DISH Network operating expenses to continue to increase in the future as subscribers are added. However, as its DISH Network subscriber base continues to expand, EchoStar expects that such costs as a percentage of DISH Network revenue may decline.

COST OF SALES - DTH EQUIPMENT AND INTEGRATION SERVICES. Cost of sales - - DTH equipment and integration services totaled $54 million for the three months ended June 30, 1998, an increase of $42 million, as compared to the three months ended June 30, 1997. This increase is consistent with the increase in DTH equipment revenue. Cost of sales - DTH equipment and integration services principally includes costs associated with digital set-top boxes and related components sold to international DTH operators.

MARKETING EXPENSES. Marketing expenses totaled $68 million for the three months ended June 30, 1998, an increase of $46 million as compared to the same period in 1997. The increase in marketing expenses was primarily attributable to an increase in subscriber promotion subsidies. Subscriber promotion subsidies include the excess of transaction costs over transaction proceeds at the time of sale of EchoStar Receiver Systems, activation allowances paid to retailers, and other promotional incentives. EchoStar recognizes subscriber promotion subsidies as incurred. These expenses totaled $58 million for the three months ended June 30, 1998, an increase of $40 million over the same period in 1997. This increase resulted from increased subscriber activations and the immediate recognition of all subscriber promotion subsidies incurred in 1998, whereas during the three-month period ended June 30, 1997, a portion of such expenses were initially deferred and amortized over the related prepaid subscription term (generally one year). This accelerated expense recognition resulted from the introduction of the "1997 Promotion" in June 1997. The 1997 Promotion maintained the suggested retail price for a standard EchoStar Receiver System at $199, but eliminated the requirement for the coincident purchase of an extended subscription commitment. For the three months ended June 30, 1998, EchoStar's subscriber acquisition costs, inclusive of acquisition marketing expenses, totaled $66 million (approximately $280 per new subscriber activation). Comparatively, EchoStar's subscriber acquisition costs, inclusive of acquisition marketing expenses and deferred subscriber acquisition costs, totaled $43 million (in excess of $300 per new subscriber activation) during the same period in 1997. The decrease in EchoStar's subscriber acquisition costs, on a per new subscriber activation basis, principally resulted from decreases in the manufactured cost of EchoStar Receiver Systems. EchoStar expects that its subscriber acquisition costs, on a per new subscriber activation basis, may increase during the remainder of 1998 as a result of increased competition for DBS subscribers. Advertising and other expenses totaled $9 million for the three months ended June 30, 1998, an increase of $5 million over the same period in 1997, as a result of increased marketing activity.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative ("G&A") expenses totaled $23 million for the three-month period ended June 30, 1998, an increase of $7 million as compared to the same period in 1997. The increase in G&A expenses was principally attributable to increased personnel expenses to support the growth of the DISH Network. G&A expenses as a percentage of total revenue decreased to 10% for the three months ended June 30, 1998 compared to 16% for the corresponding period in 1997. While EchoStar expects that G&A expenses as a percentage of total revenue will approximate this level for the remainder of 1998, there can be no assurance that this expense to revenue ratio will not increase.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA"). EBITDA for the three months ended June 30, 1998 improved to $8 million compared to $3 million for the same period in 1997. This improvement in EBITDA principally resulted from increases in Technology (i.e., DTH equipment sales and integration services) and DISH Network revenues. Due to expected increases in new subscriber activations, increased marketing activity and a decrease in Technology revenue (as previously described), EchoStar expects that EBITDA results during the third and fourth quarters of 1998 may decline. To the extent that new subscriber activations exceed expectations or subscriber acquisition costs materially increase, EchoStar's EBITDA results may be negatively impacted in the near-term because subscriber acquisition costs are expensed as incurred.

EchoStar expects to begin production of its next generation of digital set-top boxes during the third quarter of 1998. While there can be no assurance, EchoStar expects that the introduction of these digital set-top boxes may result in manufacturing cost reductions, thereby reducing subscriber acquisition costs. Previous delays in the design of this new digital set-top box will have a negative impact on EBITDA during the third quarter of 1998. In the event EchoStar experiences further delays in the production of its next generation digital set-top boxes, its inventory of digital set-top boxes, and consequently, its future new subscriber activations, subscriber acquisition costs and EBITDA results may be negatively impacted. While further delays are not expected, new product introductions often involve schedule risks that can not be anticipated or precisely quantified.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the three months ended June 30, 1998 (including amortization of subscriber acquisition costs of $6 million) aggregated $25 million, a decrease of $21 million as compared to the corresponding period in 1997. The decrease in depreciation and amortization expenses principally resulted from the decrease in amortization of subscriber acquisition costs (decrease of $27 million), partially offset by an increase in depreciation related to the commencement of operation of EchoStar III and other depreciable assets placed in service during 1998. Beginning in October 1997, net subscriber acquisition costs are expensed as incurred. Consequently, no additional subscriber acquisition costs are being deferred. The unamortized balance of such costs is expected to be fully amortized by September 1998.

OTHER INCOME AND EXPENSE. Other expense, net totaled $29 million for the three months ended June 30, 1998, an increase of $8 million as compared to the same period in 1997. The increase in other expense resulted primarily from interest expense associated with EchoStar's 12 1/2% Senior Secured Notes due 2002 (the "1997 Notes"), which were issued in June of 1997, and increases in interest expense associated with increased accreted balances on EchoStar's 12 7/8% Senior Secured Discount Notes due 2004 (the "1994 Notes") and EchoStar's 13 1/8% Senior Secured Discount Notes due 2004 (the "1996 Notes").

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1997.

REVENUE. Total revenue for the six months ended June 30, 1998 was $460 million, an increase of $292 million as compared to total revenue for the six months ended June 30, 1997 of $168 million. The increase in total revenue was primarily attributable to DISH Network subscriber growth combined with increased revenue from EchoStar's Technology business unit.

DISH Network subscription television services revenue totaled $280 million for the six months ended June 30, 1998, an increase of $169 million, or 153%, compared to the same period in 1997. This increase was directly attributable to the increase in the number of DISH Network subscribers. The average number of DISH Network subscribers during the six months ended June 30, 1998 increased approximately 154% as compared to the same period in 1997.

For the six months ended June 30, 1998, DTH equipment sales and integration services totaled $148 million, an increase of $132 million compared to the six months ended June 30, 1997. The increase in DTH equipment sales and integration services revenue was primarily attributable to an increase in the volume of set-top boxes sold. DTH equipment and integration services revenue for the six months ended June 30, 1998 principally resulted from sales of digital set-top boxes and other equipment while revenue for the same period in 1997 related to the provision of integration services.

Satellite services revenue totaled $10 million for the six months ended June 30, 1998, an increase of $6 million as compared to the same period in 1997. The increase in satellite services revenue was primarily attributable to increased BTV revenue.

DISH NETWORK OPERATING EXPENSES. DISH Network operating expenses totaled $170 million for the six months ended June 30, 1998, an increase of $97 million as compared to the same period in 1997. The increase in DISH Network operating expenses was consistent with, and primarily attributable to, the increase in the number of DISH Network subscribers. For the six months ended June 30, 1998, DISH Network operating expenses represented 61% of subscription television services revenue compared to 66% of subscription television revenue during the corresponding period in 1997.

Subscriber-related expenses totaled $133 million for the six months ended June 30, 1998, an increase of $78 million compared to the same period in 1997. Subscriber-related expenses totaled 48% of subscription television services revenues for the six months ended June 30, 1998, compared to 49% during the six months ended June 30, 1997.

Customer service center and other expenses totaled $26 million for the six months ended June 30, 1998, an increase of $14 million as compared to the six months ended June 30, 1997. The increase in customer service center and other expenses resulted from increased personnel expenses to support the growth of the DISH Network. Customer service center and other expenses totaled 9% of subscription television services revenue during the six months ended June 30, 1998, compared to 11% of subscription television services revenue during the same period of the prior year.

Satellite and transmission expenses increased $5 million during the six months ended June 30, 1998, as compared to the same period during 1997. This increase resulted from higher TT&C services expenses and other digital broadcast center operating expenses due to an increase in the number of EchoStar's operational DBS satellites.

COST OF SALES - DTH EQUIPMENT AND INTEGRATION SERVICES. Cost of sales - - DTH equipment and integration services totaled $101 million for the six months ended June 30, 1998, an increase of $86 million, as compared to the six months ended June 30, 1997. This increase is consistent with the increase in DTH equipment revenue.

MARKETING EXPENSES. Marketing expenses totaled $120 million for the six months ended June 30, 1998, an increase of $82 million as compared to the same period in 1997. The increase in marketing expenses was primarily attributable to the increase in subscriber promotion subsidies. These expenses totaled $102 million for the six months ended June 30, 1998, an increase of $71 million over the same period in 1997. The increase in subscriber promotion subsidies resulted from increased subscriber activations and the introduction of the 1997 Promotion in June 1997. Advertising and other expenses totaled $18 million for the six months ended June 30, 1998, an increase of $11 million over the same period in 1997, as a result of increased marketing activity.

GENERAL AND ADMINISTRATIVE EXPENSES. G&A expenses totaled $43 million for the six-month period ended June 30, 1998, an increase of $11 million as compared to the same period in 1997. The increase in G&A expenses was principally attributable to increased personnel expenses to support the growth of the DISH Network. G&A expenses as a percentage of total revenue decreased to 9% for the six months ended June 30, 1998 compared to 19% for the corresponding period in 1997.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. EBITDA for the six months ended June 30, 1998 improved to $17 million compared to negative EBITDA of $1 million during the same period in 1997. This improvement in EBITDA principally resulted from increases in Technology and DISH Network revenues.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the six months ended June 30, 1998 (including amortization of subscriber acquisition costs of $17 million) aggregated $54 million, a decrease of $33 million as compared to the corresponding period in 1997. The decrease in depreciation and amortization expenses principally resulted from the decrease in amortization of subscriber acquisition costs (decrease of $44 million), partially offset by an increase in depreciation related to the commencement of operation of EchoStar III and other depreciable assets placed in service during 1998.

OTHER INCOME AND EXPENSE. Other expense, net totaled $58 million for the six months ended June 30, 1998, an increase of $19 million as compared to the same period in 1997. The increase in other expense resulted primarily from interest expense associated with the 1997 Notes, and increases in interest expense associated with increased accreted balances on the 1994 Notes and the 1996 Notes.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 1998, net cash flows provided by operations totaled $19 million compared to net cash flows used in operations of $9 million for the same period in 1997. Capital expenditures totaled $110 million and $67 million during those same periods. EchoStar's capital expenditures during the first six months of 1998 principally related to the ongoing construction and launch of EchoStar IV, the expansion of EchoStar's digital broadcast operations center, and building improvements to EchoStar's new corporate headquarters. Capital expenditures related to the construction and launch of EchoStar IV were funded primarily from the Satellite Escrow. While EchoStar expects its capital expenditures to decline during the remainder of 1998, there can be no assurance that these expenditures will not increase.

EchoStar expects that its future working capital, capital expenditure (excluding additional satellite expenditures) and debt service requirements will be satisfied from existing cash and investment balances and from cash generated from operations. EchoStar's ability to generate positive future operating and net cash flows is dependent upon its ability to continue to rapidly expand its DISH Network subscriber base, and to a lesser extent on its ability to grow its Technology and Satellite Services businesses. The amount of capital required to fund EchoStar's remaining 1998 working capital and capital expenditure needs will vary dependent upon the level of EchoStar's success relative to its goals. There can be no assurance that EchoStar will be successful in achieving its goals. EchoStar's working capital requirements could increase materially in the event of increased subscriber acquisition costs, or in the event of a general economic downturn, among other factors.

FUTURE CAPITAL REQUIREMENTS

As a result of the anomalies experienced by EchoStar III and EchoStar IV (as previously described), and in order to fully-exploit certain of its remaining FCC-allocated DBS frequencies, EchoStar will be required to deploy additional DBS satellites. Further, EchoStar has applications pending with, or licenses granted by, the FCC for a two satellite FSS Ku-band satellite system, a two satellite FSS Ka-band satellite system, a two satellite extended Ku-band satellite system, and a six satellite low earth orbit ("LEO") satellite system. EchoStar does not expect insurance proceeds received from claims filed on EchoStar III and EchoStar IV to be sufficient to deploy additional DBS satellites and to exploit its other FCC-allocated spectrum. Therefore, EchoStar will need to raise additional capital to fund the construction and launch of additional satellites. Further, there may be a number of factors, some of which are beyond EchoStar's control or ability to predict, that could require EchoStar to raise additional capital. These factors include unexpected increases in operating costs and expenses, a defect in or the loss of any satellite, subscriber growth in excess of that currently expected, or an increase in the cost of acquiring subscribers due to additional competition, among other things. There can be no assurance that additional debt, equity or other financing will be available on terms acceptable to EchoStar, or at all.

IMPACT OF YEAR 2000 ISSUE

EchoStar has assessed and continues to assess the impact of the Year 2000 Issue on its computer systems and operations. The Year 2000 Issue exists because many computer systems and applications currently use two-digit date fields to designate a year. Thus, as the century date approaches, date sensitive systems may recognize the year 2000 as 1900 or not at all. The inability to recognize or properly treat the Year 2000 may cause computer systems to process critical financial and operational information incorrectly.

EchoStar is currently engaged in the remediation and testing of its critical computer systems to ensure Year 2000 compliance thereof. In connection with this effort, EchoStar has segregated its computer systems and corresponding Year 2000 compliance risk into three categories: internal financial and administrative systems, service-delivery systems, and third-party systems. With respect to EchoStar's internal financial and administrative systems, the Company has completed the identification, modification (as necessary) and testing of all such systems. As a result, EchoStar currently believes that its internal financial and administrative systems are Year 2000 compliant. EchoStar currently is completing a similar effort with respect to its service-delivery systems and expects all such systems to be fully Year 2000 compliant by the end of 1998. The Company also is currently assessing its vulnerability to unexpected business interruptions due to the failure of external third-parties to remediate their Year 2000 compliance issues. In connection with this assessment, the Company is in the process of communicating with all of its significant third-party business partners, suppliers and vendors to determine the extent to which EchoStar is vulnerable to those third parties' failure to remediate their own Year 2000 issues.

EchoStar believes its costs to successfully mitigate the Year 2000 Issue will not be material to its operations. If EchoStar's Plan is not successful or is not completed in a timely manner, the Year 2000 Issue could significantly disrupt EchoStar's ability to transact business with its customers and suppliers, and could have a material impact on its operations. There can be no assurance that the systems of other companies with which EchoStar's systems interact also will be timely converted, or that any such failure to convert by another company would not have an adverse effect on EchoStar's business or its operations.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During February 1997, EchoStar and The News Corporation Limited ("News") announced an agreement (the "News Agreement") pursuant to which, among other things, News agreed to acquire approximately 50% of the outstanding capital stock of EchoStar. News also agreed to make available for use by EchoStar the DBS permit for 28 frequencies at 110 DEG. West Longitude purchased by MCI Communications Corporation for over $682 million following a 1996 FCC auction. During late April 1997, substantial disagreements arose between the parties regarding their obligations under the News Agreement.

In May 1997, EchoStar filed a Complaint requesting that the Court confirm EchoStar's position and declare that News is obligated pursuant to the News Agreement to lend $200 million to EchoStar without interest and upon such other terms as the Court orders. EchoStar also filed a First Amended Complaint significantly expanding the scope of the litigation, to include breach of contract, failure to act in good faith, and other causes of action. EchoStar seeks specific performance of the News Agreement and damages, including lost profits based on, among other things, a jointly prepared ten-year business plan showing expected profits for EchoStar in excess of $10 billion based on consummation of the transactions contemplated by the News Agreement.

In June 1997, News filed an answer and counterclaims seeking unspecified damages. News' answer denies all of the material allegations in the First Amended Complaint and asserts numerous defenses, including bad faith, misconduct and failure to disclose material information on the part of EchoStar and its Chairman and Chief Executive Officer, Charles W. Ergen. The counterclaims, in which News is joined by its subsidiary American Sky Broadcasting, L.L.C., assert that EchoStar and Ergen breached their agreements with News and failed to act and negotiate with News in good faith. EchoStar has responded to News' answer and denied the allegations in their counterclaims. EchoStar also has asserted various affirmative defenses. EchoStar is vigorously defending against the counterclaims. The case has been set for trial commencing March 1999, but that date could be postponed.

While EchoStar is confident of its position and believes it will ultimately prevail, the litigation process could continue for many years and there can be no assurance concerning the outcome of the litigation.

EchoStar is subject to various other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to those actions will not materially affect the financial position or results of operations of EchoStar.

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

The following matters were voted upon at the annual meeting of shareholders of EchoStar Communications Corporation held on May 22, 1998:

a. The election of Charles W. Ergen, James DeFranco, David K. Moskowitz, Raymond L. Friedlob and O. Nolan Daines as directors to serve until the 1999 annual meeting of shareholders, and

b. The ratification of the appointment of Arthur Andersen LLP as independent auditors for the Company for the year ending December 31, 1998.

The director nominees were elected and the appointment of Arthur Andersen as independent auditors was approved. The voting results were as follows:

Proposal	Votes For	Votes Against	Votes Withheld
ELECTION AS DIRECTOR:			
Charles W. Ergen	325,153,643	-	17,800
James DeFranco	325,152,554	-	18,889
David K. Moskowitz	325,153,573	-	17,870
Raymond L. Friedlob	325,153,483	-	17,960
O. Nolan Daines	325,152,672	-	18,771
RATIFICATION OF THE APPOINTMENT OF ARTHUR ANDERSEN LLP AS INDEPENDENT AUDITORS FOR THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 1998	325,162,133	2,340	6,970

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS.

10.1*	Agreement to form NagraStar LLC, dated as of June 23, 1998, by and between Kudelski S.A., EchoStar Communications Corporation and EchoStar Satellite Corporation.
27+	Financial Data Schedule.

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* Certain provisions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment. A confirming electronic copy is being filed herewith.

\+ Filed herewith.

(b) REPORTS ON FORM 8-K.

No reports on Form 8-K were filed during the second quarter of 1998.

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/ DAVID K. MOSKOWITZ

David K. Moskowitz
Senior Vice President, General Counsel, Secretary and Director

By: /s/ JOHN R. HAGER

John R. Hager
Vice President - Controller
(PRINCIPAL ACCOUNTING OFFICER)

Date: August 6, 1998

EXHIBIT 10.1

AGREEMENT TO FORM

NAGRASTAR LLC

BY AND BETWEEN

ECHOSTAR COMMUNICATIONS CORPORATION,
ECHOSTAR SATELLITE CORPORATION

AND

KUDELSKI S.A.

SUMMARY OF CONTENTS

AGREEMENT TO FORM NAGRASTAR LLC

THIS AGREEMENT TO FORM NAGRASTAR LLC ("Agreement"), made and entered into as of the twenty-third day of June, 1998, by and between Kudelski S.A. (hereinafter referred to as "Kudelski"), incorporated under the laws of Switzerland with principal place of business at 1033 Cheseaux Switzerland, and EchoStar Communications Corporation, a Nevada corporation with its principal place of business at 5701 S. Santa Fe Drive, Littleton, Colorado 80120 USA (hereinafter referred to as "ECC") and EchoStar Satellite Corporation, a Colorado corporation with its principal place of business at 5701 S. Santa Fe Drive, Littleton, Colorado 80120 USA (hereinafter referred to as "EchoStar").

INTRODUCTION

A. ECC, EchoStar, and Kudelski have Pre-Existing Contracts for the provision of certain services and products by Kudelski to ECC and EchoStar.

B. The parties desire to restructure their rights, duties, and obligations under the Pre-existing Contracts, in the manner set forth in this Agreement.

C. Kudelski desires that upon completion of the transactions contemplated by this Agreement: (i) Kudelski will be a party to certain agreements with NagraStar and EchoStar; and (ii) except for all duties and obligations with respect to indemnification and warranty, the Pre-existing Contracts shall terminate and be null and void and Kudelski shall have no rights, duties, or obligations under the Pre-existing Contracts.

D. ECC and EchoStar desire that upon completion of the transactions contemplated by this Agreement: (i) EchoStar will be a party to certain agreements with NagraStar and Kudelski; and (ii) except for all rights with respect to indemnification and warranty, the Pre-existing Contracts shall terminate and be null and void and ECC and EchoStar shall have no rights, duties, or obligations under the Pre-existing Contracts.

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, the Parties represent, warrant, covenant and agree as follows:

ARTICLE I
DEFINITIONS

For purposes of this Agreement, where written with an initial capital letter, the following terms, words and phrases shall have the following meanings:

1.1 AFFILIATE. The term "Affiliate" shall mean any person or entity directly or indirectly controlling, controlled by or under common control with, a specified person or entity.

1.2 ANCILLARY AGREEMENT(S). The term "Ancillary Agreement(s)" shall mean the EchoStar Agreements, the Kudelski Agreements, the Escrow Agreement, and the Residual Agreement.

1.3 CLOSING. The term "Closing" shall mean the actions taken to effect the transactions contemplated herein, all as more specifically described in Article V hereof.

1.4 CLOSING DATE. The term "Closing Date" shall mean the date and time at which the Closing is held.

1.5 ECHOSTAR AGREEMENT(S). The term "EchoStar Agreement(s)" shall mean the following agreements, by and between EchoStar and NagraStar, to be agreed upon by EchoStar and Kudelski prior to the Closing Date: the EchoStar Software License Agreement (Appendix E-1 to this Agreement), the EchoStar Service and Development Agreement (Appendix E-2), and the EchoStar Smart Card Purchase Agreement (Appendix E-3).

1.6 [CONFIDENTIAL MATERIAL REDACTED]

1.7 [CONFIDENTIAL MATERIAL REDACTED]

1.8 [CONFIDENTIAL MATERIAL REDACTED]

1.9 [CONFIDENTIAL MATERIAL REDACTED]

1.10 KUDELSKI AGREEMENT(S). The term "Kudelski Agreement(s)" shall mean the following agreements by and between Kudelski and NagraStar, to be agreed upon by Kudelski and EchoStar prior to the Closing Date: the Kudelski Software License Agreement (Appendix D-1 to this Agreement), the Kudelski Service and Development Agreement (Appendix D-2), and the Kudelski Smart Card Purchase Agreement (Appendix D-3).

1.11 [CONFIDENTIAL MATERIAL REDACTED]

1.12 [CONFIDENTIAL MATERIAL REDACTED]

1.13 [CONFIDENTIAL MATERIAL REDACTED]

1.14 NAGRASTAR. The term "NagraStar" shall mean that certain limited liability company formed by the Parties pursuant to Section 3.1 hereof, which shall be named "NagraStar LLC".

1.15 OPERATING AGREEMENT. The term "Operating Agreement" shall mean those policies, practices and procedures which shall govern the operation of NagraStar, to be agreed upon by EchoStar and Kudelski prior to the Closing Date and which at Closing shall be attached hereto as Appendix B.

1.16 PARTY, PARTIES. The terms "Party" or "Parties" shall mean Kudelski and/or EchoStar as the context requires.

1.17 PRE-EXISTING CONTRACTS. The term "Pre-existing Contracts" shall mean: (a) the Digital NASP Offer for EchoStar, by and between EchoStar and the Nagra Kudelski Group, dated February 2, 1995; (b) the Information Management System Offer for EchoStar, by and between ECC and the Nagra Kudelski Group, dated April 7, 1995; and (c) the Nagravision Offer for Support of EchoStar Operations, by and between Kudelski, and either EchoStar or ECC (the agreement is not clear on the precise party), dated February 5, 1997.

1.18 PRODUCT(S). The term "Products" shall mean the Smart Cards, the decoder conditional access task, uplink datastream management systems, and any other products or services within the scope of NagraStar's general purpose, which the Parties may agree that NagraStar shall design, manufacture, or distribute in accordance with Section 2.2 hereof.

1.19 [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

1.20 SUBSIDIARY. The term "Subsidiary" shall mean any corporation more than fifty percent (50%) of whose outstanding shares or stock representing the right to vote (except by reason of the occurrence of a contingency) for the election of directors or members of a similar managing body are owned or controlled, directly or indirectly, by a specified party.

ARTICLE II
PURPOSE AND SCOPE

2.1 GENERAL PURPOSE AND INITIAL SCOPE. Subject to and upon the terms and conditions hereinafter set out, the Parties shall take all necessary steps required to cause the formation of a limited liability company, pursuant to the Colorado Limited Liability Company Act, to be named "NagraStar LLC". The purpose and initial scope of NagraStar, notwithstanding the generality of the purposes enumerated in the Articles of Organization of NagraStar, shall be as set forth in the Operating Agreement.

2.2 FUTURE SCOPE. In general, the future scope of the Company shall be as set forth in the Operating Agreement.

ARTICLE III
ENTITY FORMATION

3.1 FORMATION. The Parties have agreed upon the form of NagraStar's Articles of Organization and shall ensure that such Articles have been filed with the appropriate authorities of the State of Colorado. Such Articles of Organization shall, at Closing, be substantially in the form of the attached Appendix A. In addition, the Parties shall adopt the Operating Agreement of NagraStar, which shall be attached hereto at Closing as Appendix B. No change shall be made in or to said Articles of Organization or said Operating Agreement prior to the Closing Date, except with the prior written consent of the Parties.

3.2 [CONFIDENTIAL MATERIAL REDACTED]

3.3 [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE IV

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE V
CLOSING AND CONDITIONS THEREOF

5.1 DETERMINATION OF CLOSING DATE. The Closing of the transactions provided for in this Agreement shall take place at 2:00 p.m. on June 23, 1998, at EchoStar's main offices in Littleton, Colorado, or at such other time and place as may be mutually agreed upon by the Parties.

5.2 EVENTS OF CLOSING. Subject to the fulfillment of the requirements of each party set forth herein which are to be fulfilled on or before the Closing Date, EchoStar and Kudelski shall take such action and execute and deliver such certificates, documents and instruments as may be reasonably required by counsel for either Party to complete the transactions contemplated by this Agreement in accordance with its purpose and intent including, but not limited to, the payment by each Party of the consideration for, and the issuance of their respective certificates representing membership interests in NagraStar as provided for in Section 3.2 hereof.

5.3 CONDUCT OF BUSINESS PENDING CLOSING. Between the date hereof and the Closing Date, except as otherwise consented to or approved in writing by the other parties or provided for herein, each party shall: (a) conduct its business with respect to the technology to be made available to NagraStar pursuant to the Kudelski Agreements solely in a manner consistent with the intent and purpose of this Agreement and shall promptly notify the other parties in the event it has knowledge of any facts which would adversely affect its ability to fulfill its obligations hereunder; and (b) comply with all applicable laws and regulations.

5.4 CONDITIONS PRECEDENT TO EACH PARTY'S OBLIGATIONS. All obligations of the parties hereunder are subject to the fulfillment, prior to or at the Closing, of each of the following conditions:

a Each party shall have obtained all requisite internal corporate approvals and all consents which may be required from its shareholders and/or board of directors in order to fully perform its obligations hereunder;

b The representations, warranties and covenants of the parties contained in this Agreement shall be true and correct in all material respects at the Closing Date;

c Each party shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at Closing;

d Each party shall have been furnished with a certificate of the appropriate officers of the other parties hereto, dated the Closing Date, certifying to the best of their knowledge, in such detail as the receiving Party may reasonably request, the fulfillment of the conditions set forth in this Section 5.4;

e All of the agreements and other documents to be concluded and/or delivered by the parties prior to the Closing Date and attached hereto as appendices shall have been mutually agreed upon and shall have been executed at Closing;

f Each party shall have been furnished with an opinion satisfactory to it of counsel for the other parties hereto dated the Closing Date, and addressed to the receiving party, to the effect that:

i The party is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was organized and incorporated.

ii The execution, delivery and performance by such party of this Agreement, and the sale, transfer, conveyance, assignment and deliveries contemplated hereby, have been duly authorized by all requisite corporate action; this Agreement constitutes the valid and binding obligation of such party, enforceable in accordance with its terms (subject to limitations as to enforceability which might result from bankruptcy, insolvency or other similar laws affecting creditors' rights generally); and all other actions and proceedings required by law or by the provisions of this Agreement to be taken by such party prior to the Closing Date in connection with this Agreement have been duly and validly taken.

iii Such Party's contribution to the share capital of NagraStar under this Agreement does not require as of the Closing Date any action by the stockholders of such Party and does not violate any of the provisions of such Party's Articles of Incorporation, Statutes, or By-laws;

g It shall have received from its counsel approval with respect to all legal matters in connection with this Agreement, including specifically assurances satisfactory to it that nothing contained herein shall constitute a violation of any indenture agreement pursuant to which it has issued publicly held bonds or any credit or loan agreement, and there shall have been furnished to its counsel by the other parties such corporate and other records and information as they may reasonably have requested for such purposes;

h It shall have received from the other parties prior to the Closing Date a list of all actions, suits or proceedings which are pending, against or with respect to, or which may have a material adverse effect upon, the technology to be made available to NagraStar pursuant to the Kudelski Agreements; and no material suit, action or other proceeding shall be pending before any court or governmental agency in which it is sought to restrain or prohibit or to obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby;

i All authorizations, consents, waivers, approvals or other action required in connection with the execution, delivery and performance of this Agreement by the other parties and the consummation by the other parties of the transactions contemplated hereby, shall have been duly obtained and shall be in form and substance satisfactory to the receiving party's counsel;

j All filings with any governmental department, agency or instrumentality which are reasonably required in connection with the transactions contemplated by this Agreement, and all required governmental consents and approvals, including the expiration of any notice periods or extensions thereof without objection by any governmental department or agency to the transactions contemplated by this Agreement, will have been at Closing completed or obtained by the parties together or by the party obligated to complete such filing or obtain such consent and written evidence thereof shall have been delivered to such party; and

k Each party shall have conducted its business pending Closing strictly in accordance with Section 5.3 hereof. No party hereto shall be obligated, in the event it is advised by its counsel in accordance with Subsection (g) above that any term of this Agreement constitutes a violation of any of any indenture, credit or loan agreements, to seek consents or waivers from any trustee or third party lender under such agreements, and such party shall be entitled to terminate this Agreement pursuant to Section 5.5 hereof.

5.5 FAILURE TO CLOSE. In the event that any of the above conditions precedent have not been fulfilled as of the scheduled date of Closing, the Closing shall be postponed; provided, however, that if the Closing does not, for any reason, occur within sixty days of execution of this Agreement, unless otherwise agreed upon by the Parties in writing, any party may, upon written notice to the other parties, terminate this Agreement and no party shall be liable for damages to the other parties or have the right to request specific performance of this Agreement or any of the above conditions of Closing. Further, the Pre-existing Contracts shall continue in full force and effect.

5.6 [CONFIDENTIAL MATERIAL REDACTED]

ARTICLE VI
PERSONNEL

6.1 INITIAL PERSONNEL. Prior to the Closing Date and to the extent possible, the Parties shall identify in the Operating Agreement those employees of each Party if any, whose employment shall be initially transferred from the Party to NagraStar. In addition, the Parties shall, to the extent possible, make available those persons, if any, who, although remaining in the employ of the Parties, shall become available to render services to NagraStar. The Parties shall be reimbursed for the services rendered to NagraStar by employees described in the preceding sentence in accordance with the Operating Agreement.

6.2 BENEFIT PROGRAM. The benefits available to employees of NagraStar shall be as set forth in the Operating Agreement.

ARTICLE VII

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE VIII

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE IX
MISCELLANEOUS

9.1 NOTICES. The parties choose the following addresses as the addresses at which they will accept service of all documents and notices relating to this Agreement:

As to EchoStar and ECC: EchoStar Satellite Corporation
5701 S. Santa Fe Drive
Littleton, CO 80120
USA
Attn: David Moskowitz
Fax: (303) 723-1699

As to Kudelski: Kudelski SA
1033 Cheseaux
SWITZERLAND
Attn: Nicolas Goetschmann
Fax: 41 21/732 0300

Any notice to be given by a party to the other parties pursuant to this Agreement shall be given in writing in the English language by prepaid registered post, by facsimile or shall be delivered by hand (delivery by hand must be acknowledged by written receipt from a duly authorized person at the office of the addressee), provided that:

a any notice given by prepaid registered post shall be deemed to have been received by the addressee, in the absence of proof to the contrary, 14 days after the date of postage;

b any notice delivered by hand during normal business hours shall be deemed to have been received by the addressee, in the absence of proof to the contrary, at the time of delivery; and

c any notice given by facsimile shall be deemed to have been received by the addressee, in the absence of proof to the contrary, immediately upon the issuance by the transmitting facsimile machine, of a report confirming correct transmission of all the pages of the document containing the notice or upon receipt by the transmitting facsimile machine, at the end of the notice being transmitted, of the automatic answer-back of the receiving facsimile machine.

9.2 [CONFIDENTIAL MATERIAL REDACTED]

9.3 ASSIGNMENT. This Agreement shall not be assigned by any party, except upon the prior written consent of the other parties.

9.4 CONFIDENTIALITY. The parties agree that this Agreement is confidential and no party shall disclose any of the commercial, business, technical, operational, or legal details of this Agreement (the "Confidential Information") in any manner, including but not limited to press releases or other publicity of any nature without the prior written approval of the other parties. The obligations imposed upon the parties herein shall survive termination of this Agreement indefinitely, but shall not apply to Confidential Information which is:

a or becomes generally available to the public through no wrongful act of the party receiving the Confidential Information (the "Receiving Party");

b already lawfully in the possession of the Receiving Party and not subject to an existing agreement of confidentiality between the parties;

c received from a third party without restriction and without breach of this Agreement;

d independently developed by the Receiving Party; or

e released pursuant to the requirements imposed on the party by U.S. or Swiss securities laws, or the binding order of a government agency or court, so long as prior to any such release the releasing party provides the other parties with the greatest notice permitted under the circumstances, so that the party disclosing the Confidential Information may seek a protective order or other appropriate remedy. In any such event, the releasing party will disclose only such Confidential Information as is legally required and will exercise reasonable efforts to obtain confidential treatment for any Confidential Information being disclosed.

9.5 FURTHER ASSURANCES. The parties agree to execute such other instruments and documents and to take such other action as may be necessary to effect the purposes of this Agreement.

9.6 AMENDMENT. Any and all agreements by the parties to amend, change, extend, review or discharge this Agreement, in whole or in part, shall be binding on the parties only if such agreements are in writing and executed by the party agreeing to be bound thereby.

9.7 HEADINGS, SECTIONS, ETC. The various headings in this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement or any Section or provision hereof. References in this Agreement to any Section are to such Section of this Agreement.

9.8 SUCCESSORS. All covenants, stipulations and promises in this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, assigns and legal representatives.

9.9 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which shall constitute together one and the same agreement. The parties may each execute this Agreement by signing any such counterpart.

9.10 GOVERNING LAW; ARBITRATION. This Agreement, and the performances of the parties hereunder, shall be governed by the laws of the State of New York without giving effect to the principles of conflicts of laws that would otherwise provide for the application of the substantive law of another jurisdiction. Should any dispute between the parties arise, the parties agree that the sole jurisdiction and venue for the resolution of any such dispute shall be English language binding arbitration conducted in the New York City metropolitan area in accordance with the Commercial Rules of the American Arbitration Association, which rules shall include the right to seek appropriate injunctive relief in such arbitration and are deemed to be incorporated by reference into this clause. Unless the arbitrators determine otherwise, the losing party in any arbitration shall pay the costs of the prevailing party.

9.11 CONSTRUCTION. Wherever possible, each provision of this Agreement and each related document shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement, or any related document, shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement or such related documents.

9.12 WAIVERS. No failure on the part of any party to exercise and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise or any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy granted hereby or by any related document or at law or in equity.

9.13 COMMITMENTS FROM SUBSIDIARIES. The parties agree that they will cause their Subsidiaries to act in a manner as to effect the purposes, provisions and obligations of such party under this Agreement.

9.14 ENTIRE AGREEMENT. This Agreement, including the appendices attached hereto, constitute and express the entire agreement of the parties to all the matters herein referred to, all previous discussions, promises, representations and understandings relative thereto, including all Pre-existing Contracts between the parties are herein merged and superseded.

9.15 BROKERS. The parties acknowledge and agree that all negotiations relative to this Agreement and to the transactions contemplated hereby have been carried on without the intervention of any broker or finder, and no such person or entity has any valid claim against it for a brokerage commission or other like payment. Each party shall hold the other parties and NagraStar harmless from any claim in respect thereto arising out of its respective actions or conduct, but shall not be responsible for such claims arising with respect to the conduct of the other parties and NagraStar.

9.16 SURVIVAL. Any provision of this Agreement which logically would be expected to survive termination or expiration, shall survive for a time period reasonable under the circumstances, whether or not specifically provided in the Agreement.

9.17 [CONFIDENTIAL MATERIAL REDACTED]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ECHOSTAR SATELLITE CORPORATION	KUDELSKI S.A.
By:	By:
Title:	Title:
Date:	Date:

By signing below EchoStar Communications Corporation hereby acknowledges its acceptance of the provisions of Section 5.6 of this Agreement.

ECHOSTAR COMMUNICATIONS CORPORATION

By:
Title:
Date:

[Appendix A]
ARTICLES OF ORGANIZATION
NAGRASTAR LLC

I, the undersigned natural person of the age of eighteen years or more, acting as organizer of a limited liability company under the Colorado Limited Liability Company Act, adopt the following Articles of Organization for such limited liability company:

FIRST: The name of the limited liability company is "NagraStar LLC".

SECOND: The principal place of business of the company is 90 Inverness Circle East, Englewood, Colorado 80112.

THIRD: The street address of the initial registered office of the limited liability company is NagraStar LLC, Legal Department, 5701 S. Santa Fe Drive, Littleton, Colorado 80120.

The mailing address of the initial registered office of the limited liability company is NagraStar LLC, Legal Department, 5701 S. Santa Fe, Littleton, Colorado 80120. The name of its proposed registered agent in Colorado at that address is David Moskowitz.

FOURTH: The management of the company is vested in the members.

FIFTH: The names and the business addresses of the members are:

EchoStar Satellite Corporation 90 Inverness Circle East Englewood, Colorado 80112	Kudelski SA 1033 Cheseaux SWITZERLAND

SIXTH: The name and address of the organizer is:

Nicholas R. Sayeedi
90 Inverness Circle East
Englewood, Colorado 80112

/s/ NICHOLAS R. SAYEEDI   Date: 12-31-97
- -------------------------------
Nicholas R. Sayeedi

I, David Moskowitz, hereby consent to the appointment as initial registered agent for NagraStar LLC.

/s/ DAVID K. MOSKOWITZ   Date: 12-31-97
- -------------------------------
David Moskowitz

[APPENDIX B]

OPERATING AGREEMENT
OF
NAGRASTAR LLC

This Operating Agreement is made and entered into as of the twenty-third day of June, 1998 by and among NagraStar LLC, a Colorado limited liability company organized under the Colorado Limited Liability Act (the "Company"), EchoStar Satellite Corporation, a Colorado corporation with principal office at 5701 S. Santa Fe Drive, Littleton, Colorado 80120 ("EchoStar"), and Kudelski SA, a Swiss corporation with principal office at 1033 Cheseaux, Switzerland ("Kudelski").

Certain terms used in this Operating Agreement are defined in Article 11.

The parties agree as follows:

ARTICLE 1. FORMATION OF COMPANY

1.1. RECOGNITION OF ORGANIZATION OF COMPANY. The Company was organized as a Colorado limited liability company upon the filing of the Articles of Organization by the Colorado Secretary of State, effective as of the date of the Articles of Organization.

1.2. NAME. The name of the Company is "NagraStar LLC".

1.3. PLACES OF BUSINESS. The Company may locate its business at such place or places as the Members may from time to time deem advisable. The Company's principal place of business shall initially be located at 90 Inverness Circle East, Englewood, Colorado 80112, with a second office located in Cheseaux, Switzerland.

1.4. REGISTERED OFFICES AND REGISTERED AGENTS. The Company's initial registered office in the State of Colorado shall be at the office of its registered agent at 5701 S. Santa Fe Drive, Littleton, Colorado 80120, and the name of its initial registered agent at such address shall be David Moskowitz. The registered office or registered agent, or both, in the State of Colorado may be changed from time to time by filing the address of the new registered office or the name of the new registered agent, as the case may be, with the Colorado Secretary of State pursuant to the Colorado Act. The Company shall appoint registered agents and maintain registered offices in other jurisdictions as may be required by law.

ARTICLE 2. PURPOSES OF COMPANY

2.1 GENERAL PURPOSE AND INITIAL SCOPE. The purpose and initial scope of the Company shall be: (i) to support EchoStar's satellite broadcast operations through the ongoing maintenance and development of software and hardware for all software and hardware systems provided to EchoStar and its Affiliates by Kudelski and its Affiliates as of the date of this Operating Agreement, by entering into the Kudelski Agreements, the EchoStar Agreements, and the Escrow Agreement; and (ii) to pursue the development and enhancement of existing and future uplink datastream management systems and other systems to accommodate the future needs of EchoStar and its Affiliates in cooperation with Kudelski.

2.2 [CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 3. RIGHTS, DUTIES, AND AUTHORITY OF MEMBERS

3.1. MANAGEMENT. The business and affairs of the Company shall be managed by its Members, who, together with the CEO, shall establish the priorities of the Company. Each Member shall be entitled to participate in that management, and shall be a Co-CEO of the Company. Except for cases in which a Member is expressly permitted by this Operating Agreement or by non-waivable provisions of applicable law to act alone, no action shall be taken by any Member on behalf of the Company unless the action: (a) is authorized by this Operating Agreement; (b) has been authorized by both Members acting in agreement; or (c) is inherent in or reasonably implied by authority granted by this Operating Agreement or by the Members acting together.

3.2. CERTAIN AUTHORITY OF MEMBERS. Except as otherwise provided in this Operating Agreement, no Member shall have, or delegate to any person, the authority to do any of the following without unanimous consent of the Members:

(a) Perform any act in contravention of this Operating Agreement;

(b) Knowingly perform any act that would cause the Company to conduct business in a state or other foreign jurisdiction which has not enacted legislation permitting the Company to transact business in the state as a foreign limited liability company with limited liability for its Members; or

(c) Cause the Company to admit any additional Members.

3.3. FURTHER RESTRICTIONS. Except as authorized pursuant to this Operating Agreement (including the authority granted to the COO and CTO under Article 4) or by written authorization of both Members, no attorney-in-fact, employee, or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge its credit or to render it liable monetarily for any purpose. Without limiting the generality of the foregoing, no debt shall be contracted or liability incurred by or on behalf of the Company except as provided in this Operating Agreement or as determined by the

Members, or, to the extent permitted under the Colorado Act, by agents or employees of the Company expressly authorized by the Members to contract such debt or incur such liability.

3.4. CONFLICTING INTEREST TRANSACTIONS.

(a) As used in this Section 3.4, "conflicting interest transaction" means any of the following:

(1) A loan or other assistance by the Company to a Member or to a Related Entity, other than loans provided in accordance with the provisions of Section 5.3;

(2) A guaranty by the Company of an obligation of a Member or of an obligation of a Related Entity; or

(3) A contract or transaction between the Company and a Member or between the Company and a Related Entity.

(b) As used in this Section 3.4, "Related Entity" means, with respect to a Member, an Entity that is an Affiliate of the Member or has a financial interest therein.

(c) No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by the Company or by any Member, directly or by or in the right of the Company, solely because the conflicting interest transaction involves a Member or a Related Entity or solely because the Member participates in vote of the Members with respect to such conflicting interest transaction, or solely because the Member's vote is counted for such purpose, if:

(1) The material facts as to the Member's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the other Member and the Members in good faith authorize, approve, or ratify the conflicting interest transaction; or

(2) The conflicting interest transaction is fair as to the Company as of the time it is undertaken by, or becomes binding upon, the Company.

3.5. [CONFIDENTIAL MATERIAL REDACTED]

3.6. [CONFIDENTIAL MATERIAL REDACTED]

3.7. COMPENSATION OF MEMBERS. No Member shall be entitled to compensation for services rendered to the Company except as may be determined from time to time by agreement of the Members.

3.8. RIGHT TO RELY ON CERTIFICATES OF MEMBERS. Any Person dealing with the Company may rely, without duty of further inquiry, upon a certificate signed by any Member as to:

(a) The identity of the Member;

(b) The existence or nonexistence of any fact or facts which constitute a condition precedent to acts by any Member or which are in any other manner germane to the business or affairs of the Company; or

(c) The identity and authority of Persons who are authorized to act for, or to execute or deliver any instrument or document on behalf of, the Company, and the scope of such authority.

3.9. MEMBER'S LIABILITY.

(a) No Member shall be liable under any judgment, decree, or order of a court, or in any other manner, for any debt, obligation, or liability of the Company.

(b) No Member shall be liable to the Company or to any Member for any loss or damage sustained by the Company or by any Member, unless the loss or damage is the result of fraud, deceit, gross negligence, willful misconduct, breach of this Operating Agreement or a wrongful taking by the Member. It is expressly recognized that no Member guarantees, in any way, the return of any Member's Capital Contribution, a profit for any Member from the operations of the Company, or any distribution from the Company.

3.10. MEMBERS HAVE NO EXCLUSIVE DUTY TO COMPANY. No Member shall be required to manage the Company as a sole and exclusive function. Any Member may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Operating Agreement, to share or participate in such other interests or activities of any Member or to the income or proceeds derived therefrom.

3.11. COMPANY DOCUMENTS.

(a) The Recordkeeper shall maintain and preserve, until at least five years after the dissolution of the Company and longer if necessary and appropriate in connection with the winding up of its business and affairs, all accounts, books, and other Company documents which are reasonably necessary as a record of its business and affairs, in which shall be entered fully and accurately all transactions and other matters relating to the Company's business in such detail and completeness as is customary and usual for businesses of the type engaged in by the Company. Such documents shall be maintained at the principal executive office of the Company.

(b) Without limiting the generality of Section 3.11(a), the Recordkeeper shall maintain and preserve the following:

(1) A current list of the full name and last-known business, residence, or mailing address of each Member, both past and present;

(2) A copy of the Articles of Organization and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;

(3) A copy of this Operating Agreement, including Schedule A, as in effect from time to time,

(4) Copies of all writings, if any, other than this Operating Agreement, which obligate a Member to contribute cash, property or services to the Company, and copies of all writings compromising the obligation of any member to contribute cash, property, or services to the Company;

(5) Minutes of every meeting of the Members and copies of all written consents by which Members take action;

(6) Copies of the Company's U.S. and foreign federal, state, and local income tax returns and reports, if any, for the three most recent years;

(7) Copies of all financial statements of the Company for the three most recent years; and

(8) Records and accounts of all operations and expenditures of the Company.

(c) Upon request, each Member shall have the right to inspect and copy such Company documents, at the requesting Member's expense; provided, however, that access to any such documents may be restricted as the Members determine in order to preserve intellectual property of the Company from misuse.

(d) The initial Recordkeeper shall be Jason Kiser. The Members may by agreement appoint a new Recordkeeper at any time. If a new Recordkeeper is appointed by the Members, the former Recordkeeper shall transfer to the new Recordkeeper all Company items set forth under this Article 3, together with all other Company documents and data in the possession of, or under the control of the former Recordkeeper. If the Members cannot agree on a Recordkeeper at any time, each Member may designate a separate Recordkeeper who shall have access to all records of the Company specified in this Article 3.

3.12. ECONOMIC PRIORITY. Except as may be provided in this Operating Agreement, no Member shall have priority over any other Member, whether as to Net Profits, Net Losses, distributions, or other economic matters; provided, however, that this Section 3.12 shall not apply to loans (as distinguished from Capital Contributions) which a Member has made to the Company.

ARTICLE 4. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[B] 7

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 5. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 6. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 7. ADMINISTRATIVE

7.1. BUDGET. The operating budget for the first twelve months of the Company's operation is attached as Schedule B to this Operating Agreement. A thirty-six (36) month budget shall be prepared annually by the COO in consultation with the Financial Review Committee and submitted to the Members for approval together with a business plan for the corresponding time period. If the Members cannot agree on the budget for any specified year, the total budget for such year shall be the previous year's budget as adjusted by the use of a Budget Escalator in the following manner: the index to be used shall be the U.S. Department of Labor's Bureau of Labor Statistics Consumer Price

Index, Wage Rate, All Urban Consumers, U.S. City Average, 1997 = 100 (hereinafter referred to as the "CPI"). The base index shall be that published nearest to the date hereof. The increase hereunder shall be proportional to the increase in the CPI as above, over the base index, provided however, that in no case shall any year's budget exceed the projected revenues for the Company in such year.

7.2. [CONFIDENTIAL MATERIAL REDACTED]

7.3. [CONFIDENTIAL MATERIAL REDACTED]

7.4. FACILITIES, EQUIPMENT, AND PERSONNEL. The Members agree to procure and make available to the Company during the term of this Operating Agreement, for good and valuable consideration to be agreed upon by the parties, such office equipment and facilities (including land, buildings, office equipment, tools and fixtures) as may be necessary for the development and support engineering of the Products, and such personnel, including payroll, accounting, legal, and human resources professionals, as may be necessary for the Company to properly function. The Company shall provide its own computer equipment, software, and related accessories.

7.5. [CONFIDENTIAL MATERIAL REDACTED]

7.6. [CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 8. RESTRICTIONS ON TRANSFERABILITY; ACQUISITION OF CONTROL

8.1. GENERAL. Except as provided in this Article 8, no Member shall have the right to transfer or encumber any part of the Member's Membership Interest, and any purported transfer or encumbrance (including the granting of a security interest) of all or part of a Membership Interest, whether voluntarily or involuntarily, shall be void. Each Member hereby acknowledges the reasonableness of the restrictions on sale and gift of Membership Interests imposed by this Operating Agreement, in view of the Company purposes and the relationship of the Members, and agrees that such restrictions shall be specifically enforceable. Special provisions relating to security interests and other encumbrances are set forth in Section 8.2.

8.2. [CONFIDENTIAL MATERIAL REDACTED]

8.3 [CONFIDENTIAL MATERIAL REDACTED]

8.4 [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 9. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 10. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

ARTICLE 11. DEFINITIONS

The following terms used in this Operating Agreement have the meanings ascribed to them in this Article 11:

11.1. "Articles of Organization" means the Articles of Organization of the Company as filed with the Secretary of State of Colorado, as the same may be amended from time to time.

11.2. "Affiliate" means, with respect to any Person (such Person being referred to in this Section 11.2 as the "Target Person"), (a) any Person directly or indirectly controlling, controlled by, or under common control with the Target Person, (b) any Person owning, of record or beneficially, ten percent or more of the outstanding voting interests of the Target Person, unless another Person owns, beneficially, a larger percentage of the outstanding voting interests of the Target Person, (c) any

Person who is a director, officer, partner, or trustee of, or is in a similar capacity with respect to, the Target Person, or (d) any Person who is a director, officer, partner, or trustee of, or is in a similar capacity with respect to, or is holder of ten percent or more of the voting interests of, any Person described in clauses (a) through (c) of this sentence. For purposes of this definition, the term "controls," "is controlled by," or "is under common control with" shall refer to the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Target Person, whether through the ownership of voting securities, by contract, or otherwise.

11.3. "Capital Account" of a Member, as of any given date, means the Capital Contribution to the Company by the Member as adjusted to the date in question pursuant to Article 5.

11.4. "Capital Contribution" means any contribution, whenever made, by a Member to the capital of the Company, whether in cash or property. Whether a payment of cash or a transfer of property is a contribution to the capital of the Company, and, therefore, a Capital Contribution, shall be determined by agreement of the Members.

11.5. "Capital Interest" means the proportion that a Member's positive Capital Account balance, if any, bears to the aggregate Capital Accounts of all Members whose Capital Accounts have positive balances, as such proportion may change from time to time. Negative Capital Account balances are disregarded in the determination of "Capital Interests."

11.6. "CEO" or "Co-CEO" means one of the two Members.

11.7. "Code" means the U.S. Internal Revenue Code of 1986 or corresponding provisions of superseding Federal revenue laws.

11.8. "Colorado Act" means the Colorado Limited Liability Company Act or any act that supersedes the Colorado Limited Liability Company Act, as the same may be amended from time to time.

11.9. "Company" is defined in the first paragraph of this Operating Agreement.

11.10. "Control" of a company means the ability to appoint a majority of the directors on its governing board or the ability to exercise similar operating control through other means.

11.11. "COO" means the Company's Chief Operating Officer, as appointed pursuant to Section 4.2 hereof.

11.12. "CTO" means the Company's Chief Technical Officer, as appointed pursuant to Section 4.3 hereof.

11.13. "Deficit Capital Account" means, with respect to any Member, the deficit balance, if any, in the Member's Capital Account as of the end of the taxable year, after giving effect to the following adjustments:

(a) Credit to such Capital Account of all amounts which the Member is treated as being obligated to restore under Section 1.704-1(b)(2)(ii)(c) of the Treasury Regulations, as well as any addition thereto pursuant to the next to last sentence of Sections 1.704-2(g)(1) and (i)(5) of the Treasury Regulations, after taking into account thereunder any changes during such year in partnership minimum gain (as determined in accordance with Section 1.704-2(d) of the Treasury Regulations) and in the minimum gain attributable to any partner nonrecourse debt (as determined under Section 1.704-2(i)(3) of the Treasury Regulations); and

(b) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

This definition of Deficit Capital Account is intended to comply with the provision of Treasury Regulations Sections 1.704-1(b)(2)(ii)(d) and 1.704-2, and is to be interpreted consistently with those provisions.

11.14. "Depreciation" means, with respect to each asset, for each fiscal year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to the asset for such fiscal year; provided, however, that, if the Gross Asset Value of the asset differs from its adjusted basis for Federal income tax purposes at the beginning of such fiscal year, "Depreciation" shall be an amount which bears the same ratio to such beginning Gross Asset Value as the Federal income tax depreciation, amortization, or other cost recovery deduction for such fiscal year bears to such beginning adjusted tax basis; and provided, further, that, if the adjusted basis for Federal income tax purposes of an asset at the beginning of such fiscal year is zero, "Depreciation" shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Members.

11.15. "EchoStar Agreement(s)" means the following agreements of even date herewith, by and between EchoStar and the Company: the EchoStar Software License Agreement, the EchoStar Service and Development Agreement, and the EchoStar Smart Card Purchase Agreement.

11.16. [CONFIDENTIAL MATERIAL REDACTED]

11.17. [CONFIDENTIAL MATERIAL REDACTED]

11.18. [CONFIDENTIAL MATERIAL REDACTED]

11.19 "Effective Date" means July 1, 1998.

11.20. "Entity" means a corporation, partnership, limited liability company, trust, or any other legally recognized person other than a human being.

11.21. [CONFIDENTIAL MATERIAL REDACTED]

11.22. "Financial Review Committee means a committee which shall provide advice, review, and approval of the Company financial operating issues and budgets. The committee shall consist of four persons, with each Member having the right to appoint, remove, replace, and appoint temporary substitutes or proxies for two members of the committee.

11.23. "Fiscal Year" means the Company's fiscal year, which shall be the calendar year.

11.24. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for Federal income tax purposes; provided, however, that:

(a) The initial Gross Asset Value of an asset contributed by a Member to the Company shall be the gross fair market value of the asset at the time of such contribution, as determined by the Members; provided, however, that the initial Gross Asset Values of the assets (other than cash) contributed to the Company pursuant to Section 5.2 hereof shall be as set forth in Schedule A.

(b) The Gross Asset Values of all assets shall be adjusted to equal their respective gross fair market values, as determined by the Members, as of the following times: (1) the acquisition of an interest (as that term is used in Regulations Section 1.704-1(b)(2)(iv)(f)(5)(i)) by a Member in exchange for more than a de minimis contribution of property (including money); (2) the distribution by the Company to a Member of more than a de minimis amount of property as consideration for a Membership Interest; and (3) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (1) and (2) of this Section 11.24(b) shall be made only if the Members reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(c) The Gross Asset Value of an asset distributed to a Member shall be adjusted to equal the gross fair market value of the asset on the date of distribution as determined by the Members, and

(d) The Gross Asset Values of assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), Section 11.31(d) (relating to the definition of Net Profits and Net Losses), and Section 5.4; provided, however, that Gross Asset Values shall not be adjusted pursuant to this definition to the extent the Members determine that an adjustment pursuant to Section 11.24(b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Section 11.24(d). If the Gross Asset

Value of an asset has been determined or adjusted pursuant to Section 11.24(a), 11.24(b), or 11.24(d), then such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

11.25. "Kudelski Agreement(s)" means the following agreements of even date herewith by and between Kudelski and the Company: the Kudelski Software License Agreement, the Kudelski Service and Development Agreement, and the Kudelski Smart Card Purchase Agreement.

11.26. [CONFIDENTIAL MATERIAL REDACTED]

11.27. [CONFIDENTIAL MATERIAL REDACTED]

11.28. [CONFIDENTIAL MATERIAL REDACTED]

11.29. "Member" means EchoStar or Kudelski.

11.30. "Membership Interest" means a Member's entire interest in the Company, and such other rights and privileges that the Member may enjoy by virtue of being a Member.

11.31. "Net Profits" and "Net Losses" means for each taxable year of the Company an amount equal to the Company's net taxable income or loss for such year as determined for Federal income tax purposes (including separately stated items) in accordance with the accounting method and rules used by the Company and in accordance with Section 703 of the Code, subject to the following provisions:

(a) Any item of income, gain, loss, or deduction allocated to Members pursuant to Section 6.3 shall not be taken into account in computing Net Profits or Net Losses;

(b) Any income of the Company that is exempt from Federal income tax and is not otherwise taken into account in computing Net Profits and Net Losses pursuant to this definition shall be added to such net taxable income or loss;

(c) Any expenditure of the Company described in Section 705(a)(2)(B) of the Code and not otherwise taken into account in computing Net Profits and Net Losses shall be subtracted from such net taxable income or loss;

(d) In the event the Gross Asset Value of an asset is adjusted pursuant to Section 11.24(b) or 11.24(c), the amount of such adjustment shall be taken into account, as gain or loss from the disposition of such asset, in computing Net Profits or Net Losses;

(e) Gain or loss resulting from the disposition of an asset with respect to which gain or loss is recognized for Federal income tax purposes shall be computed with reference to the Gross Asset Value of the asset, notwithstanding that the adjusted tax basis of the asset differs from its Gross Asset Value;

(f) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account, in computing Net Profits or Net Losses, Depreciation for such fiscal year; and

(g) To the extent an adjustment to the adjusted tax basis of an asset pursuant to Section 734(b) of the Code or Section 743(b) of the Code is required pursuant to Section 1.704-1(b)(2)(iv)(m)(4) of the Treasury Regulations to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Membership Interest, the amount of such adjustment shall be treated as an item of gain (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Profits or Net Losses.

11.32. "Operating Agreement" means this Operating Agreement, as amended from time to time.

11.33. "Person" means a human being or an Entity and shall include the heirs, executors, administrators, legal representatives, successors, and assigns of a "Person" where the context permits or requires.

11.34. "Products" shall mean the Smart Cards and uplink datastream management systems obtained from Kudelski, as well as any other products or services within the scope of the Company's general purpose, which the Members may agree that the Company shall design, manufacture, or distribute pursuant to Section 2.2 hereof.

11.35. "Recordkeeper" means the Person appointed by the Members, pursuant to Section 3.11, to keep the books and records of the Company and to perform the other duties specified in this Operating Agreement as duties of the Recordkeeper.

11.36. "Sale" and its derivatives means transfer for consideration.

11.37. "Schedule A" means Schedule A to this Operating Agreement reflecting matters such as Members' identities and share of Net Profits and Net Losses, which schedule bears the most recent date and is signed by the Members. Schedule A is prima facie evidence of the agreement of the parties hereto with respect to the matters reflected therein, but it is recognized that, through inadvertence or otherwise, Schedule A may not be modified from time to time as required to reflect the parties' agreement, or as circumstances, change, and, accordingly, any party to this Operating Agreement may, by a preponderance of the evidence, show that Schedule A is not an accurate reflection of the parties' agreement.

11.38. "Securities Acts" means the Securities Act of 1933, the Colorado Securities Act, or the securities laws of any other state or country.

11.39. [CONFIDENTIAL MATERIAL REDACTED]

11.40. [CONFIDENTIAL MATERIAL REDACTED]

11.41. [CONFIDENTIAL MATERIAL REDACTED]

11.42. "Subsidiary" means any corporation more than fifty percent (50%) of whose outstanding shares or stock representing the right to vote (except by reason of the occurrence of a contingency) for the election of directors or Members of a similar managing body are owned or controlled, directly or indirectly, by a specified party.

11.43. "Swiss Office" means a Company facility located in Switzerland, selected by Kudelski pursuant to Section 7.5.

11.44. "Technical Review Committee" means a committee which shall provide advice, review, and approval of the Company product and technical direction. The committee shall consist of six persons, with each Member having the right to appoint, remove, replace, and appoint temporary substitutes or proxies for three members of the committee.

11.45. "Transfer" includes sale, bequest, assignment, and all other modes of transfer including the creation of a security interest or encumbrance.

11.46. "Treasury Regulations" shall include temporary and final regulations promulgated under the Code that are in effect as of the date of the filing of the Articles of Organization and the corresponding sections of any regulations subsequently promulgated that amend or supersede such regulations. The term "Treasury Regulations" shall also include regulations that have been proposed by the Internal Revenue Service under the Code at or prior to the date of the filing of the Articles of Organization, and have not been withdrawn at or prior to such date, as well as the corresponding provisions of any regulations subsequently promulgated that, amend or supersede such proposed regulations.

11.47. "Upgrades" are enhancements, modifications, updates, bug fixes, and direct extensions to software.

11.48. [CONFIDENTIAL MATERIAL REDACTED]

11.49. "U.S. Office" means the Company's main facility located in the Denver, Colorado metropolitan area, selected by EchoStar pursuant to Section 7.5.

ARTICLE 12. MISCELLANEOUS PROVISIONS

12.1. NOTICES. The parties choose the following addresses as the addresses at which they will accept service of all documents and notices relating to this Operating Agreement:

As to EchoStar:	EchoStar Satellite Corporation 5701 S. Santa Fe Drive Littleton, CO 80120 USA Attn: David Moskowitz Fax: (303) 723-1699
As to Kudelski:	Kudelski SA 1033 Cheseaux SWITZERLAND Attn: Nicolas Goetschmann Fax: 41 21/732 0300
As to the Company:	NagraStar LLC 90 Inverness Circle East Englewood, CO 80112 USA Attn: Joe Ferguson and Xavier Carrel Fax: (303) 706-5719
With a copy to:	Kudelski SA 1033 Cheseaux SWITZERLAND Attn: Nicolas Goetschmann Fax: 41 21/732 0300

Any notice to be given by a party to the other parties pursuant to this Operating Agreement shall be given in writing in the English language by prepaid registered post, by facsimile or shall be delivered by hand (delivery by hand must be acknowledged by written receipt from a duly authorized person at the office of the addressee), provided that:

(a) any notice given by prepaid registered post shall be deemed to have been received by the addressee, in the absence of proof to the contrary, 14 days after the date of postage;

(b) any notice delivered by hand during normal business hours shall be deemed to have been received by the addressee, in the absence of proof to the contrary, at the time of delivery; and

(c) any notice given by facsimile shall be deemed to have been received by the addressee, in the absence of proof to the contrary, immediately upon the issuance by the transmitting facsimile machine, of a report confirming correct transmission of all the pages of the document containing the notice or upon receipt by the transmitting facsimile machine, at the end of the notice being transmitted, of the automatic answer-back of the receiving facsimile machine.

12.2. GOVERNING LAW; ARBITRATION. This Operating Agreement, and the performances of the parties hereunder, shall be governed by the laws of the State of New York without giving effect to the principles of conflicts of laws that would otherwise provide for the application of the substantive law of another jurisdiction. Should any dispute among the parties arise, the parties agree that the sole jurisdiction and venue for the resolution of any such dispute shall be English language binding arbitration conducted in the New York City metropolitan area, in accordance with the Commercial Rules of the American Arbitration Association, which rules shall include the right to seek appropriate injunctive relief in such arbitration and are deemed to be incorporated by reference into this clause. Unless the arbitrators determine otherwise, the losing party in any arbitration shall pay the costs of the prevailing party.

12.3. [CONFIDENTIAL MATERIAL REDACTED]

[CONFIDENTIAL MATERIAL REDACTED]

12.4. AMENDMENTS. This Operating Agreement and the Articles of Organization may be amended from time to time by a writing executed by the Members.

12.5. EXECUTION OF ADDITIONAL INSTRUMENTS. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney, and other instruments necessary or appropriate to comply with any laws, rules or regulations.

12.6. HEADINGS AND PRONOUNS. Headings and captions contained in this Operating Agreement are solely for the convenience of the parties and are not to be considered in interpreting or construing this Operating Agreement or the parties' rights, remedies, and obligations hereunder. The words "herein," "hereof," and "hereunder," when used in this Operating Agreement, refer to this Operating Agreement in its entirety. The word "include" and its derivatives mean by way of example and not by way of exclusion or limitation. Words in the singular include the plural and words in the plural include the singular, according to the requirements of the context. Words importing a gender include all genders.

12.7. WAIVERS. No party shall be deemed to have waived any right or remedy under or with respect to this Operating Agreement unless such waiver is expressed in a writing signed by such party. No waiver of any right or remedy under or with respect to this Operating Agreement by a party on any occasion or in any circumstance shall be deemed to be a waiver of any other right or remedy on that occasion or in that circumstance nor a waiver of the same or of any other right or remedy on any other occasion or in any other circumstance.

12.8. RIGHTS AND REMEDIES CUMULATIVE. The rights and remedies provided by this Operating Agreement, the EchoStar Agreements, and the Kudelski Agreements are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

12.9. SEVERABILITY. If any provision in this Operating Agreement is held to be invalid or unenforceable on any occasion or in any circumstance, such holding shall not be deemed to render the provision invalid or unenforceable on any other occasion or in any other circumstance nor to render any other provision hereof invalid or unenforceable, and to that extent the provisions of this Operating Agreement are severable; provided, however, that this provision shall not preclude a court of competent jurisdiction from refusing so to sever any provision if severance would be inequitable to one or more of the parties.

12.10. ASSIGNMENT. This Operating Agreement may not be assigned, in whole or in part, by any party without the prior written consent of the other parties, which consent may be withheld for any reason.

12.11. NO THIRD PARTY BENEFICIARIES; NO RIGHTS IN CREDITORS. This Operating Agreement creates no rights benefitting third Persons and no third Person shall have any right to enforce any provision hereof, except as may be specifically provided herein. Without limiting the generality of the preceding sentence, none of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditor of the Company.

12.12. INVESTMENT REPRESENTATIONS. The Members understand, acknowledge, and agree:

(a) that no Membership Interest has been registered under the Securities Acts because of the Company's reliance upon exemptions from the registrations requirements of the Securities Acts;

(b) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment; and

(c) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution. Accordingly, each Member hereby confirms to the Company that the Member is acquiring the Membership Interest for the Member's own account, for investment, and not with a view to the resale or distribution thereof. Each Member agrees not to hypothecate or transfer or offer to hypothecate or transfer any portion of the Membership Interests unless there is an effective registration or other qualification relating thereto under the Securities Act of 1933 and under all applicable state securities laws or unless the holder of Membership Interests delivers to the Company an opinion of counsel, reasonably satisfactory to the remaining Members, that such registration or other qualification under such Act and applicable state securities laws is not required in connection with such hypothecation, transfer, or offer. Each Member understands that the Company is under no obligation to register any Membership Interest or to assist the Member in complying with any exemption from registration under the Securities Acts if the Member should, at a later date, wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission unless the Member is not an "affiliate" of the Company and the Membership Interest has been beneficially owned and fully paid for by the Member for at least one year. Prior to acquiring any Membership Interests, each Member has made an investigation of the Company and its business and has had made available to the Member all information with respect thereto which the Member needed to make an informed decision to acquire the Membership Interest. Each Member considers itself to be a Person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of the Member's investment in the Membership Interest.

12.13. OTHER REPRESENTATIONS AND WARRANTIES. As of the date the Member becomes a Member, each Member represents and warrants that:

(a) DUE INCORPORATION OR FORMATION; AUTHORIZATION OF AGREEMENT. The Member is duly existing as an Entity and in good standing under the laws of the jurisdiction of its formation and has the power and authority, as an Entity, to own its property and carry on its business as owned and carried on at the date hereof and as contemplated hereby. The Member is duly licensed or qualified to do business and in good standing in each of the jurisdictions in which the failure to be so licensed or qualified would have a material adverse effect on its financial condition or its ability to perform its obligations hereunder. The Member has the power and authority as an Entity to execute and deliver this Operating Agreement and to perform its obligations hereunder, and its execution, delivery, and performance of this Operating Agreement has been duly authorized by all necessary action.

(b) VALID OBLIGATION. This Operating Agreement constitutes the legal, valid, and binding obligation of the Member.

(c) NO CONFLICT WITH RESTRICTIONS; NO DEFAULT. Neither the execution, delivery, and performance of this Operating Agreement nor the consummation by the Member of the transactions contemplated hereby

(1) shall conflict with, violate, or result in a breach of any of the terms, conditions, or provisions of any law, regulation, order, writ, injunction, decree, determination, or award of any court, any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator, applicable to the Member or any of its Affiliates;

(2) shall conflict with, violate, result in a breach of, or constitute a default under any of the terms, conditions, or provisions of the articles of incorporation, bylaws, partnership agreement or operating agreement (if any) of the Member or any of its Affiliates or of any material agreement or instrument to which the Member or any of its Affiliates is a party or by which the Member, or any of its Affiliates is or may be bound or to which any of its material properties or assets is subject;

(3) shall conflict with, violate, result in a breach of, constitute a default under (whether with notice or lapse of time or both), accelerate or permit the acceleration of the performance required by, give to others any material interests or rights, or require any consent, authorization, or approval under any indenture, mortgage, lease agreement, or instrument to which the Member or any of its Affiliates is a party or by which the Member or any of its Affiliates is or may be bound; or

(4) shall result in the creation or imposition of any lien upon any of the material properties or assets of the Member or any of its Affiliates.

(d) GOVERNMENT AUTHORIZATIONS. Any registration, declaration, or filing with, or consent, approval, license, permit, or other authorization or order by, any government or regulatory authority, domestic or foreign, that is required in connection with the valid execution, delivery, acceptance, and performance by the Member under this Operating Agreement or the consummation by the Member of any transaction contemplated hereby has been completed, made, or obtained on or before the effective date of this Operating Agreement.

(e) LITIGATION. Except as disclosed in EchoStar's annual, quarterly, or current reports filed pursuant to the U.S. Securities Exchange Act of 1934, there are no actions, suits, proceedings, or investigations pending or, to the knowledge of the Member or any of its Affiliates, threatened against or affecting the Member or any of its Affiliates or any of their properties, assets, or businesses in any court or before or by any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator which could, if adversely determined (or, in the case of an investigation, could lead to any action, suit, or proceeding, which if adversely determined could) reasonably be expected to materially impair the Member's ability to perform its obligations under this Operating Agreement or to have a material adverse effect on the consolidated financial condition of the Member; and the Member or any of its Affiliates has not received any currently effective notice of any default, and the Member or any of its Affiliates is not in default, under any applicable order, writ, injunction, decree, permit, determination, or award of any court, any governmental department, board, agency, or instrumentality, domestic or foreign, or any arbitrator which could reasonably be expected to materially impair the Member's ability to perform its obligations under this Operating Agreement or to have a material adverse effect on the consolidated financial condition of the Member.

(f) INVESTMENT COMPANY ACT; PUBLIC UTILITY HOLDING COMPANY ACT. Neither the Member nor any of its Affiliates is, nor shall the Company as a result of the Member holding an interest be, an "investment company" as defined in, or subject to regulation under, the U.S. Investment Company Act of 1940. Neither the Member nor any of its Affiliates is, nor shall the Company as a result of the Member holding an interest be, a "holding company," "an affiliate of a holding company," or a "subsidiary of a holding company," as defined in, or subject to regulation under, the U.S. Public Utility Holding Company Act of 1935.

(g) CONFIDENTIALITY.

(1) Except as contemplated hereby or required by a court of competent authority, each Member shall keep confidential and shall not disclose to others and shall use its reasonable efforts to prevent its Affiliates and any of its, or its Affiliates', present or former employees, agents, and representatives from disclosing to others without the prior written consent of the Members any information which

(A) pertains to this Operating Agreement, any negotiations pertaining thereto, any of the transactions contemplated hereby, or the business of the Company; or

(B) pertains to written or oral confidential or proprietary information of any Member or the Company or which any Member has labeled as confidential or proprietary; provided, however, that the Company may disclose to its Affiliates' employees, agents, and representatives any information made available to the Member.

(2) No Member shall use, and each Member shall use its best efforts to prevent any Affiliate of the Member from using, any information which

(A) pertains to this Operating Agreement, any negotiations pertaining hereto, any of the transactions contemplated hereby, or the business of the Company; or

(B) pertains to the confidential or proprietary information of any Member or the Company or which any Member has labeled in writing as confidential or proprietary, except in connection with the transactions contemplated hereby.

12.14. COUNTERPARTS. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

12.15. WAIVER OF ACTION FOR PARTITION. Each Member irrevocably waives any right that it may have to maintain any action for partition with respect to the property of the Company; provided, however, that this provision shall not apply to any asset that is distributed in kind to any Member.

CERTIFICATE

The undersigned, being NagraStar LLC and all of the initial Members of NagraStar LLC, hereby agree, acknowledge, and certify that the foregoing Operating Agreement constitutes the Operating Agreement of NagraStar LLC adopted by the Members as of the date first stated in the Operating Agreement.

NAGRASTAR LLC

By:
A Member

Initial Members:

ECHOSTAR SATELLITE CORPORATION

By:
Its:

KUDELSKI SA

By:
Its:

SCHEDULE A
TO
NAGRASTAR LLC
OPERATING AGREEMENT

[CONFIDENTIAL MATERIAL REDACTED]

SCHEDULE B
TO
NAGRASTAR LLC
OPERATING AGREEMENT

SCHEDULE C
TO
NAGRASTAR LLC
OPERATING AGREEMENT

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX C-1]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX C-2]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX D-1]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX D-2]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX D-3]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX E-1]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX E-2]

[CONFIDENTIAL MATERIAL REDACTED]

[APPENDIX E-3]

[CONFIDENTIAL MATERIAL REDACTED]

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ECHOSTAR COMMUNICATIONS CORPORATION AS OF AND FOR THE QUARTER ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THOSE FINANCIAL STATEMENTS.

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6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
259,571
131,289
98,344
3,272
53,540
557,526
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122,723
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1,863,250
449,908
460,277
280,650
497,686
57,911
4,925
73,920
(95,320)
283
(95,603)
0
0
0
(95,603)
(2.51)
(2.51)

Includes sales of programming.
Includes costs of programming.
Net of amounts capitalized.