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

FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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: 333-31929

ECHOSTAR DBS CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO	84-1328967
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5701 S. SANTA FE LITTLETON, COLORADO	80120
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of March 30, 2001, the Registrant's outstanding Common stock consisted of 3,000 shares of Common Stock, $0.01 par value.

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (I)(1)(A) AND (B) OF FORM 10-K AND IS THEREFORE FILING THIS ANNUAL REPORT ON FORM 10-K WITH THE REDUCED DISCLOSURE FORMAT.

DOCUMENTS INCORPORATED BY REFERENCE

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

None

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* This item has been omitted pursuant to the reduced disclosure format as set forth in General Instructions (I)(1)(a) and (b) of Form 10-K.

PART I

All statements contained herein, as well as statements made in press releases and oral statements that may be made by us or by officers, directors or employees acting on our 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 our actual results 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 our actual results to differ materially are the following: a total or partial loss of one or more satellites due to operational failures, space debris or otherwise; delays in the construction of our seventh, eighth or ninth satellites; an unsuccessful deployment of future satellites; inability to settle outstanding claims with insurers; a decrease in sales of digital equipment and related services to international direct-to-home service providers; a decrease in DISH Network subscriber growth; an increase in subscriber turnover; an increase in subscriber acquisition costs; an inability to obtain certain retransmission consents; our inability to retain necessary authorizations from the FCC; an inability to obtain patent licenses from holders of intellectual property or redesign our products to avoid patent infringement; an increase in competition from cable as a result of digital cable or otherwise, direct broadcast satellite, other satellite system operators, and other providers of subscription television services; the introduction of new technologies and competitors into the subscription television business; a change in the regulations governing the subscription television service industry; the outcome of any litigation in which we may be involved; general business and economic conditions; and other risk factors described from time to time in our reports and statements filed with the Securities and Exchange Commission. 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 and should not place undue reliance on any forward-looking statements.

ITEM 1. BUSINESS

BRIEF DESCRIPTION OF BUSINESS

We are a wholly-owned subsidiary of EchoStar Broadband Corporation or EBC, which is a wholly-owned subsidiary of EchoStar Communications Corporation or ECC, a publicly traded company on the Nasdaq National Market under the symbol "DISH". During March 1999, ECC placed ownership of all of its direct broadcast satellites and related FCC licenses into EchoStar Satellite Corporation. DirectSat Corporation, Direct Broadcasting Satellite Corporation and EchoStar Space Corporation were merged into EchoStar Satellite Corporation. Dish, Ltd., and EchoStar Satellite Broadcasting Company were merged into us. EchoStar IV and the related FCC licenses were transferred to EchoStar Satellite Corporation. During September 2000, EBC was formed for the purpose of issuing new debt. In connection with the EBC debt offering, ECC contributed all of the outstanding capital stock of its wholly-owned subsidiaries, EchoStar Orbital Corporation and us, to EBC concurrent with the closing of the offering. The accompanying financial statements retroactively reflect these reorganizations.

Unless otherwise stated, or the context otherwise requires, references to ECC shall include all of its direct and indirect wholly-owned subsidiaries. We refer readers of this report to ECC's Annual Report for the year ended December 31, 2000. Substantially all of our operations are conducted by subsidiaries. Our operations include the following three interrelated business units.

- The DISH Network -- a direct broadcast satellite subscription television service, which we refer to as DBS, in the United States. As of December 31, 2000, we had approximately 5.26 million DISH Network subscribers.

- EchoStar Technologies Corporation -- engaged in the design, development, distribution and sale of DBS set-top boxes, antennae and other digital equipment for the DISH Network, which we refer to as EchoStar receiver systems, the design, development and distribution of similar equipment for international direct-to-home satellite and other systems, which we refer to as DTH, and the provision of uplink center design, construction oversight and other project integration services for international DTH ventures.

- Satellite Services -- engaged in the delivery of video, audio and data services to business television customers and other satellite users. These services may include satellite uplink services, satellite transponder space usage, billing, customer service and other services.

ITEM 2. PROPERTIES

The following table sets forth certain information concerning our material properties:

DESCRIPTION/USE/LOCATION	SEGMENT(S) USING PROPERTY	APPROXIMATE SQUARE FOOTAGE	OWNED OR LEASED
Corporate headquarters and customer service center, Littleton, Colorado	All	156,000	Owned
EchoStar Technologies Corporation office and distribution center, Englewood, Colorado	ETC	155,000	Owned
EchoStar Technologies Corporation engineering offices, Englewood, Colorado	ETC and Satellite Services	57,200	Owned
Digital broadcast operations center, Cheyenne, Wyoming	DISH Network and Satellite Services	144,000	Owned
Digital broadcast operations center, Gilbert, AZ	DISH Network and Satellite Services	120,000	Owned
Customer service center, McKeesport, Pennsylvania	DISH Network	100,000	Leased
Customer service center, El Paso, Texas	DISH Network	100,000	Owned
Customer service center, Christiansburg, Virginia	DISH Network	100,000	Leased
Customer service center, Thornton, Colorado	DISH Network	55,000	Owned
Customer service center, Bluefield, West Virginia	DISH Network	51,000	Owned
Warehouse and distribution center, Denver, Colorado	ETC	132,800	Leased
Office and distribution center, Sacramento, California	ETC	78,500	Owned
European headquarters and warehouse, Almelo, The Netherlands	ETC and Other	53,800	Owned

ITEM 3. LEGAL PROCEEDINGS

DirecTV

During February 2000 EchoStar filed suit against DirecTV and Thomson Consumer Electronics/RCA in the Federal District Court of Colorado. The suit alleges that DirecTV has utilized improper conduct in order to fend off competition from the DISH Network. According to the complaint, DirecTV has demanded that certain retailers stop displaying EchoStar's merchandise and has threatened to cause economic damage to retailers if they continue to offer both product lines in head-to-head competition. The suit alleges, among other things, that DirecTV has acted in violation of federal and state anti-trust laws in order to protect DirecTV's market share. EchoStar is seeking injunctive relief and monetary damages. On December 8, 2000, EchoStar submitted an Amended Complaint adding claims against Circuit City, Radio Shack and Best Buy, alleging that these retailers are engaging in improper conduct that has had an anti-competitive impact on EchoStar. It is too early in the litigation to make an assessment of the probable outcome. During October 2000, DirecTV filed a motion for summary judgment asking that the Court enter judgment in DirecTV's favor on certain of EchoStar's claims. EchoStar has filed a motion asking the Court to allow it an opportunity to conduct discovery prior to having to substantively respond to DirecTV's motion. DirecTV's motion for summary judgment and EchoStar's motion remain pending.

The DirecTV defendants filed a counterclaim against EchoStar. DirecTV alleges that EchoStar tortuously interfered with a contract that DirecTV allegedly had with Kelly Broadcasting Systems, Inc. ("KBS"). DirecTV alleges that EchoStar "merged" with KBS, in contravention of DirecTV's contract with KBS. DirecTV also alleges that EchoStar has falsely advertised to consumers about its right to offer network programming. DirecTV further alleges that EchoStar improperly used certain marks owned by PrimeStar, now owned by DirecTV. Finally, DirecTV alleges that EchoStar has been marketing National Football League games in a misleading manner. The amount of damages DirecTV is seeking is as yet unquantified. EchoStar intends to vigorously defend against these claims. The case is currently in discovery. It is too early in the litigation to make an assessment of the probable outcome.

Fee Dispute

EchoStar had a contingent fee arrangement with the attorneys who represented EchoStar in the litigation with News Corporation. The contingent fee arrangement provides for the attorneys to be paid a percentage of any net recovery obtained by EchoStar in the News Corporation litigation. The attorneys have asserted that they may be entitled to receive payments totaling hundreds of millions of dollars under this fee arrangement.

During mid-1999, EchoStar initiated litigation against the attorneys in the Arapahoe County, Colorado, District Court arguing that the fee arrangement is void and unenforceable. In December 1999, the attorneys initiated an arbitration proceeding before the American Arbitration Association. The litigation has been stayed while the arbitration is ongoing. A two week arbitration hearing has been set to begin on April 2, 2001. It is not possible to determine the outcome of arbitration or litigation regarding this fee dispute. EchoStar is vigorously contesting the attorneys' interpretation of the fee arrangement, which EchoStar believes significantly overstates the magnitude of its liability.

WIC Premium Television Ltd.

During July 1998, a lawsuit was filed by WIC Premium Television Ltd., an Alberta corporation, in the Federal Court of Canada Trial Division, against General Instrument Corporation, HBO, Warner Communications, Inc., John Doe, Showtime, United States Satellite Broadcasting Company, Inc., EchoStar Communications Corporation, and two of EchoStar's wholly-owned subsidiaries, EchoSphere Corporation and Dish, Ltd. The lawsuit seeks, among other things, an interim and permanent injunction prohibiting the defendants from activating receivers in Canada and from infringing any copyrights held by WIC. It is too early to determine whether or when any other lawsuits or claims will be filed.

During September 1998, WIC filed another lawsuit in the Court of Queen's Bench of Alberta Judicial District of Edmonton against certain defendants, including EchoStar. WIC is a company authorized to broadcast certain copyrighted work, such as movies and concerts, to residents of Canada. WIC alleges that the defendants engaged in, promoted, and/or allowed satellite dish equipment from the United States to be sold in Canada and to Canadian residents and that some of the defendants allowed and profited from Canadian residents purchasing and viewing subscription television programming that is only authorized for viewing in the United States. The lawsuit seeks, among other things, an interim and permanent injunction prohibiting the defendants from importing hardware into Canada and from activating receivers in Canada, together with damages in excess of $175 million.

EchoStar filed motions to dismiss each of the actions for lack of personal jurisdiction. The Court in the Alberta action recently denied EchoStar's Motion to Dismiss, which EchoStar appealed. The Alberta Court also granted a motion to add more EchoStar parties to the lawsuit. EchoStar Satellite Corporation, EDBS, EchoStar Technologies Corporation, and EchoStar Satellite Broadcast Corporation have been added as defendants in the litigation. The newly added defendants have also challenged jurisdiction. The Court of Appeals denied EchoStar's appeal and the Alberta Court has asserted jurisdiction over all of the EchoStar defendants. The Court in the Federal action has stayed that case pending the outcome of the Alberta action. The case is now currently in discovery. EchoStar intends to vigorously defend the suit. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Broadcast network programming

Until July 1998, EchoStar obtained distant broadcast network channels (ABC, NBC, CBS and FOX) for distribution to its customers through PrimeTime 24. In December 1998, the United States District Court for the Southern District of Florida entered a nationwide permanent injunction requiring PrimeTime 24 to shut off distant network channels to many of its customers, and henceforth to sell those channels to consumers in accordance with certain stipulations in the injunction.

In October 1998, EchoStar filed a declaratory judgment action against ABC, NBC, CBS and FOX in Denver Federal Court. EchoStar asked the court to enter a judgment declaring that its method of providing distant network programming did not violate the Satellite Home Viewer Act and hence did not infringe the networks' copyrights. In November 1998, the networks and their affiliate groups filed a complaint against EchoStar in Miami Federal Court alleging, among other things, copyright infringement. The court combined the case that EchoStar filed in Colorado with the case in Miami and transferred it to the Miami court. The case remains pending in Miami. While the networks have not sought monetary damages, they have sought to recover attorney fees if they prevail.

In February 1999, the networks filed a "Motion for Temporary Restraining Order, Preliminary Injunction and Contempt Finding" against DirecTV, Inc. in Miami related to the delivery of distant network channels to DirecTV customers by satellite. DirecTV settled this lawsuit with the networks. Under the terms of the settlement between DirecTV and the networks, some DirecTV customers were scheduled to lose access to their satellite-provided distant network channels by July 31, 1999, while other DirecTV customers were to be disconnected by December 31, 1999. Subsequently, PrimeTime 24 and substantially all providers of satellite-delivered network programming other than EchoStar agreed to this cut-off schedule, although EchoStar does not know if they adhered to this schedule.

In December 1998, the networks filed a Motion for Preliminary Injunction against EchoStar in the Miami court, and asked the court to enjoin EchoStar from providing network programming except under limited circumstances. A preliminary injunction hearing was held on September 21, 1999. The court took the issues under advisement to consider the networks' request for an injunction, whether to hear live testimony before ruling upon the request, and whether to hear argument on why the Satellite Home Viewer Act may be unconstitutional, among other things.

In March 2000, the networks filed an emergency motion again asking the court to issue an injunction requiring EchoStar to turn off network programming to certain of its customers. At that time, the networks also argued that EchoStar's compliance procedures violate the Satellite Home Viewer Improvement Act. EchoStar opposed the networks' motion and again asked the court to hear live testimony before ruling upon the networks' injunction request.

During September 2000, the Court granted the Networks' motion for preliminary injunction, denied the Network's emergency motion and denied EchoStar's request to present live testimony and evidence. The Court's original order required EchoStar to terminate network programming to certain subscribers "no later than February 15, 1999," and contained other dates which would be physically impossible to comply with. The order imposes restrictions on EchoStar's past and future sale of distant ABC, NBC, CBS and Fox channels similar to those imposed on PrimeTime 24 (and, EchoStar believes, on DirecTV and others). Some of those restrictions go beyond the statutory requirements imposed by the Satellite Home Viewer Act and the Satellite Home Viewer Improvement Act. For these and other reasons EchoStar believes the Court's order is, among other things, fundamentally flawed, unconstitutional and should be overturned. However, it is very unusual for a Court of Appeals to overturn a lower court's order and there can be no assurance whatsoever that it will be overturned.

On October 3, 2000, and again on October 25, 2000, the Court amended its original preliminary injunction order in an effort to fix some of the errors in the original order. The twice amended preliminary injunction order required EchoStar to shut off, by February 15, 2001, all subscribers who are ineligible to receive distant network programming under the court's order. EchoStar has appealed the September 2000 preliminary injunction order and the October 3, 2000 amended preliminary injunction order. On November 22, 2000, the United States Court of Appeals for the Eleventh Circuit stayed the Florida Court's preliminary injunction order pending EchoStar's appeal. At that time, the Eleventh Circuit also expedited its consideration of EchoStar's appeal.

During November 2000, EchoStar filed its appeal brief with the Eleventh Circuit. During December 2000, the Satellite Broadcasting and Communications Association submitted an amicus brief in support of EchoStar's appeal. The Consumer Federation of America and the Media Access Project have also submitted an amicus brief in support of EchoStar's appeal. The Networks have responded to EchoStar's appeal brief and the amicus briefs filed by the Consumer Federation of America and the Media Access Project and the Satellite Broadcasting and Communications Association. In December 2000, the Department of Justice filed a motion to intervene with respect to EchoStar's constitutional challenge of the Satellite Home Viewers Act, and the National Association of Broadcasters filed an amicus brief in support of the Networks' position in the appeal. During January 2001, EchoStar filed its reply appeal brief and asked the Eleventh Circuit for an opportunity to respond to the amicus brief filed by the National Association of Broadcasters and the brief filed by the Department of Justice. On January 11, 2001, the Networks advised the Eleventh Circuit that they did not object to EchoStar's filing a response to the National Association of Broadcasters' amicus brief or the Department of Justice's brief. On January 19, 2001, EchoStar filed its supplemental brief responding to the Department of Justice's brief. On January 23, 2001, the Department of Justice filed a motion to strike EchoStar's supplemental brief or for an opportunity to reply to EchoStar's supplemental brief. On February 2, 2001, without explanation, the Eleventh Circuit issued an order striking EchoStar's supplemental reply and denying EchoStar an opportunity to file a response to the Department of Justice's motion to intervene. The Eleventh Circuit has currently set oral argument for May 24, 2001 in Atlanta. EchoStar cannot predict when the Eleventh Circuit will rule on its appeal, but it could be as early as April 2001. EchoStar's appeal effort may not be successful and EchoStar may be required to comply with the Court's preliminary injunction order on short notice. The preliminary injunction could force EchoStar to terminate delivery of distant network channels to a substantial portion of its distant network subscriber base, which could also cause many of these subscribers to cancel their subscription to EchoStar's other services. Such terminations would result in a small reduction in EchoStar's reported average monthly revenue per subscriber and could result in a temporary increase in churn.

Starsight

During October 2000, Starsight Telecast, Inc., a subsidiary of Gemstar-TV Guide, filed a suit for patent infringement against EchoStar and certain of its subsidiaries in the United States District Court for the Western District of North Carolina, Asheville Division. The suit alleges infringement of United States Patent No. 4,706,121 ("the `121 patent") which relates to certain electronic program guide functions. EchoStar has examined this patent and believes that it is not infringed by any of EchoStar's products or services. EchoStar is vigorously contesting the suit and has filed counterclaims challenging both the validity and enforceability of this patent.

In December 2000 EchoStar filed suit against Gemstar - TV Guide International, Inc. (and certain of its subsidiaries) in the United States District Court for the District of Colorado alleging violations by Gemstar of various federal and state anti-trust laws and laws governing unfair competition. The lawsuit seeks an injunction and monetary damages.

In February 2001, Gemstar filed patent infringement actions against EchoStar in District Court in Atlanta, Georgia and in the International Trade commission (ITC). These suits allege infringement of US Patent Nos. 5,252,066, 5,479,268 and 5,809,204 which all relate to certain electronic program guide functions. In addition, the ITC action alleges infringement of the `121 patent which is asserted in the North Carolina case. In the Atlanta District Court case, Gemstar seeks damages and an injunction. Pursuant to Federal law, the Atlanta case can be stayed pending the resolution of the ITC action. It is also possible the North Carolina action will be stayed while the ITC case proceeds. ITC actions typically proceed according to an expedited schedule. EchoStar expects the ITC action to go to trial by the end of 2001 or early in 2002. A final decision should be issued by the ITC by mid-2002. While the ITC cannot award damages, it can issue exclusion orders that would prevent the importation of articles that are found to infringe the asserted patents. In addition, it can issue cease and desist orders that would prohibit the sale of infringing products that had been previously imported. EchoStar has examined these patents and believe they are not infringed by any of our products or services. EchoStar will vigorously contest the ITC and Atlanta allegations of infringement and will, among other things, challenge both the validity and enforceability of the asserted patents.

During 2000, Superguide Corp. also filed suit against EchoStar, DirecTV and others in the North Carolina Court, alleging infringement of United States Patent Nos. 5,038,211, 5,293,357 and 4,751,578 which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. It is EchoStar's understanding that these patents may be licensed by Superguide to Gemstar, although Gemstar has not asserted the patents against EchoStar. EchoStar has examined these patents and believes that they are not infringed by any of EchoStar's products or services. EchoStar intends to vigorously defend against this action and assert a variety of counterclaims.

In the event it is ultimately determined that EchoStar infringes on any of aforementioned patents EchoStar may be subject to substantial damages, and/or an injunction that could require EchoStar to materially modify certain user friendly electronic programming guide and related features it currently offers to consumers. It is too early to make an assessment of the probable outcome of either suit.

IPPV Enterprises

IPPV Enterprises, LLC and MAAST, Inc. filed a patent infringement suit against EchoStar in the United States District Court for the District of Delaware. The suit alleges infringement of 5 patents. The patents disclose various systems for the implementation of features such as impulse-pay-per view, parental control and category lock-out. One patent relates to an encryption technique. Three of the patents have expired. EchoStar is vigorously defending against the suit based, among other things, on non-infringement, invalidity and failure to provide notice of alleged infringement.

In the event it is ultimately determined that EchoStar infringes on any of these patents we may be subject to substantial damages, and/or an injunction with respect to the two unexpired patents, that could require EchoStar to materially modify certain user friendly features it currently offer to consumers. It is too early to make an assessment of the probable outcome of either suit.

Retailer Class Actions

EchoStar has been sued by retailers in three separate class actions. In two separate lawsuits, Air Communication & Satellite, Inc. and John DeJong, et. al. filed lawsuits on October 6, 2000 on behalf of themselves and a class of persons similarly situated. The plaintiffs are attempting to certify nationwide classes allegedly brought on behalf of persons, primarily retail dealers, who were alleged signatories to certain retailer agreements with EchoStar Satellite Corporation. The plaintiffs are requesting the Court to declare certain provisions of the alleged agreements invalid and unenforceable, to declare that certain unilateral changes to the agreements are invalid and unenforceable, and to award damages for lost commissions and payments, charge backs, and other compensation. The plaintiffs are alleging breach of contract and breach of the covenant of good faith and fair dealing and are seeking declaratory relief, compensatory damages, injunctive relief, and pre-judgment and post-judgment interest. EchoStar intends to vigorously defend the lawsuit and to assert a variety of counterclaims. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Satellite Dealers Supply, Inc. filed a lawsuit on September 25, 2000, on behalf of itself and a class of persons similarly situated. The plaintiff is attempting to certify a nationwide class allegedly brought on behalf of sellers, installers, and servicers of equipment used to provide satellite who contract with EchoStar and claims the alleged class has been "subject to improper chargebacks." The plaintiff alleges that (1) EchoStar charged back certain fees paid by members of the class to professional installers in violation of contractual terms; (2) EchoStar manipulated the accounts of subscribers to deny payments to class members; and (3) EchoStar misrepresented to class members who owns certain equipment related to provision of satellite television service. The plaintiff is requesting a permanent injunction and monetary damages. EchoStar intends to vigorously defend the lawsuit and to assert a variety of counterclaims. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

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

PART II

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

As of March 30, 2001, all 3,000 authorized, issued and outstanding shares of our common stock were held by EBC. There is currently no established trading market for our common stock.

We have never declared or paid any cash dividends on our common stock and do not expect to declare dividends in the foreseeable future. Payment of any future dividends will depend upon our earnings and capital requirements, our debt facilities, and other factors the Board of Directors considers appropriate. We currently intend to retain our earnings, if any, to support future growth and expansion. Our ability to declare dividends is affected by covenants in our debt facilities.

ITEM 7. MANAGEMENT'S NARRATIVE ANALYSIS OF RESULTS OF OPERATIONS

All statements contained herein, as well as statements made in press releases and oral statements that may be made by us or by officers, directors or employees acting on our 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 our actual results 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 our actual results to differ materially are the following: a total or partial loss of one or more satellites due to operational failures, space debris or otherwise; delays in the construction of our seventh, eighth or ninth satellites; an unsuccessful deployment of future satellites; inability to settle outstanding claims with insurers; a decrease in sales of digital equipment and related services to international direct-to-home service providers; a decrease in DISH Network subscriber growth; an increase in subscriber turnover; an increase in subscriber acquisition costs; an inability to obtain certain retransmission consents; our inability to retain necessary authorizations from the FCC; an inability to obtain patent licenses from holders of intellectual property or redesign our products to avoid patent infringement; an increase in competition from cable as a result of digital cable or otherwise, direct broadcast satellite, other satellite system operators, and other providers of subscription television services; the introduction of new technologies and competitors into the subscription television business; a change in the regulations governing the subscription television service industry; the outcome of any litigation in which we may be involved; general business and economic conditions; and other risk factors described from time to time in our reports and statements filed with the Securities and Exchange Commission. 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 and should not place undue reliance on any forward-looking statements.

RESULTS OF OPERATIONS

Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999.

Revenue. Total revenue for the year ended December 31, 2000 was $2.709 billion, an increase of $1.103 billion compared to total revenue for the year ended December 31, 1999 of $1.606 billion. The increase in total revenue was primarily attributable to DISH Network subscriber growth. We expect that our revenues will continue to increase significantly as the number of DISH Network subscribers increases.

DISH Network subscription television services revenue totaled $2.342 billion for the year ended December 31, 2000, an increase of $999 million compared to the same period in 1999. DISH Network subscription television services revenue principally consists of revenue from basic, premium and pay-per-view subscription television services. This increase was directly attributable to the increase in the number of DISH Network subscribers and higher average revenue per subscriber. DISH Network added approximately 1.85 million net new subscribers for the year ended December 31, 2000, an increase of approximately 26% compared to approximately 1.47 million net subscriber additions during 1999. As of December 31, 2000, we had approximately 5.26 million DISH Network subscribers compared to approximately 3.4 million at December 31, 1999, an increase of 54%. The strong subscriber growth reflects the impact of aggressive marketing promotions, including our free installation program, together with increased interest in satellite television resulting from the availability of local network channels by satellite, and positive momentum for the DISH Network. DISH Network subscription television services revenue will continue to increase to the extent we are successful in increasing the number of DISH Network subscribers and maintaining or increasing revenue per subscriber. While there can be no assurance, assuming the U.S. economy continues to grow at a slow pace, we expect to add approximately 1.5 to 2.0 million net new subscribers during 2001, and to obtain a majority of all net new DBS subscribers.

Monthly average revenue per subscriber was approximately $45.33 during the year ended December 31, 2000 and approximately $42.71 during the same period in 1999. The increase in monthly average revenue per subscriber is primarily attributable to a $1.00 price increase in America's Top 100 CD, our most popular programming package, during May 2000, the increased availability of local channels by satellite together with the earlier successful introduction of our $39.99 per month America's Top 150 programming package. During August 2000, we announced a promotion offering consumers free premium movie channels. Under this promotion, all new subscribers who order either our America's Top 100 CD or America's Top 150 programming package and any or all of our four premium movie packages between August 1, 2000 and January 31, 2001, received those premium movie packages free for three months. This promotion had a negative impact on monthly average revenue per subscriber since premium movie package revenue from participating subscribers was deferred until the expiration of each participating subscriber's free service. While there can be no assurance, we expect our moderate historical increases in revenue per subscriber to continue during 2001 and expect to reach monthly average revenue per subscriber of approximately $50 by the end of December 2001.

For the year ended December 31, 2000, DTH equipment sales and integration services totaled $256 million, an increase of $78 million compared to the same period during 1999. DTH equipment sales consist of sales of digital set-top boxes and other digital satellite broadcasting equipment to international DTH service operators and sales of DBS accessories. This increase in DTH equipment sales and integration services revenue was primarily attributable to an increase in international demand for digital set-top boxes as compared to the same period during 1999.

A significant portion of DTH equipment sales and integration services revenues have resulted from sales to two international DTH providers. We currently have agreements to provide equipment to DTH service operators in Spain and Canada. Our 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 our digital set-top boxes. Although we continue to actively pursue additional distribution and integration service opportunities internationally, no assurance can be given that any such efforts will be successful.

As previously reported, since 1998, Telefonica's Via Digital, one of the two DTH service providers described above, has had recurrent discussions and negotiations for a possible merger with Sogecable's Canal Satelite Digital, one of its primary competitors. While we are not currently aware of any formal negotiations between Via Digital and Canal Satelite Digital, there are again rumors of a potential merger in the marketplace. Although we have binding purchase orders from Via Digital for deliveries of DTH equipment in 2001, we cannot predict the impact, if any, eventual consummation of this possible merger might have on our future sales to Via Digital.

Satellite services revenue totaled $53 million during the year ended December 31, 2000, an increase of $11 million as compared to the same period during 1999. These revenues principally include fees charged to content providers for signal carriage and revenues earned from business television, or BTV customers. The increase in satellite services revenue was primarily attributable to the addition of new full-time BTV customers and additional sales of idle satellite capacity to occasional-use customers. As a greater percentage of our satellite capacity is utilized during 2001 for local network channels and other programming designed to drive consumer subscriber acquisitions, satellite services revenues may decline.

In order, among other things, to commence compliance with the injunction issued against us in our pending litigation with the four major broadcast networks and their affiliate groups, we have terminated the delivery of distant network channels to certain of our subscribers. Additionally, the FCC recently issued rules which impair our ability to deliver certain superstation channels to our customers. Those rules will increase the cost of our delivery of superstations, and could require that we terminate the delivery of certain superstations to a material portion of our subscriber base. In combination, these terminations would result in a small reduction in average monthly revenue per subscriber and could increase subscriber turnover. While there can be no assurance, any such decreases could be offset by increases in average monthly revenue per subscriber resulting from the delivery of local network channels by satellite, and increases in other programming offerings.

DISH Network Operating Expenses. DISH Network operating expenses totaled $1.268 billion during the year ended December 31, 2000, an increase of $530 million or 72% compared to the same period in 1999. DISH Network operating expenses represented 54% and 55% of subscription television services revenue during the years ended December 31, 2000 and 1999, respectively. The increase in DISH Network operating expenses in total was consistent with, and primarily attributable to, the increase in the number of DISH Network subscribers. While there can be no assurance, we expect that our efforts to control costs and create operating efficiencies will result in a moderate decrease in operating expenses as a percentage of subscription television services revenue during 2001.

Subscriber-related expenses totaled $981 million during the year ended December 31, 2000, an increase of $400 million compared to the same period in 1999. Such expenses, which include programming expenses, copyright royalties, residuals currently payable to retailers and distributors, and billing, lockbox and other variable subscriber expenses, represented 42% and 43% of subscription television services revenues during the years ended December 31, 2000 and 1999, respectively. Although we do not currently expect subscriber-related expenses as a percentage of subscription television services revenue to increase materially in future periods, there can be no assurance this expense to revenue ratio will not materially increase.

Customer service center and other expenses principally consist of costs incurred in the operation of our DISH Network customer service centers, such as personnel and telephone expenses, as well as other operating expenses related to our service and installation business. Customer service center and other expenses totaled $251 million during the year ended December 31, 2000, an increase of $134 million as compared to the same period in 1999. The increase in customer service center and other expenses primarily resulted from increased personnel and telephone expenses to support the growth of the DISH Network and from operating expenses related to the expansion of our installation and service business. Customer service center and other expenses totaled 11% of subscription television services revenue during the year ended December 31, 2000, as compared to 9% during the same period in 1999. The increase in this expense to revenue ratio primarily resulted from the on-going construction and start-up costs of our fifth customer service center in Virginia, our sixth customer service center in West Virginia, and the continued build-out of our installation offices nationwide. These expenses in total, and as a percentage of subscription television services revenue, may continue to increase in future periods as we continue to develop and expand our customer service centers and installation business to provide additional customer support and help us better accommodate anticipated subscriber growth, resulting in long term efficiency improvements. We continue to work to automate simple phone responses, and intend to increase internet based customer assistance in the future, in order to better manage customer service costs.

Satellite and transmission expenses include expenses associated with the operation of our digital broadcast center, contracted satellite telemetry, tracking and control services, and satellite in-orbit insurance. Satellite and transmission expenses totaled $36 million during the year ended December 31, 2000, a $4 million decrease compared to the same period in 1999. Satellite and transmission expenses totaled 2% and 3% of subscription television services revenue during the years ended December 31, 2000 and 1999, respectively. We expect satellite and transmission expenses to continue to increase in the future as additional satellites or digital broadcast centers are placed in service, but do not expect these expenses to increase as a percentage of subscription television services revenue.

Cost of sales - DTH equipment and Integration Services. Cost of sales - DTH equipment and integration services totaled $197 million during the year ended December 31, 2000, an increase of $47 million compared to the same period in 1999. 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 and DBS accessories. This increase in cost of sales - DTH equipment and integration services is consistent with the increase in DTH equipment sales and integration services revenue. Cost of sales - DTH equipment and integration services represented 77% and 84% of DTH equipment revenue, during the years ended December 31, 2000 and 1999, respectively. The higher margin was principally attributable to a $16.6 million loss provision recorded during 1999 primarily for component parts and purchase commitments related to our first generation model 7100 set-top boxes, for which production was suspended in favor of our second generation model 7200 set-top boxes.

Marketing Expenses. We subsidize the cost and installation of EchoStar receiver systems in order to attract new DISH Network subscribers. Consequently, our subscriber acquisition costs are significant. Marketing expenses totaled $1.175 billion during the year ended December 31, 2000, an increase of $433 million compared to the same period in 1999. The increase in marketing expenses was primarily attributable to an increase in subscriber promotion subsidies. Subscriber promotion subsidies - promotional DTH equipment includes the cost related to EchoStar receiver systems distributed to retailers and other distributors of our equipment. Subscriber promotion subsidies - other includes net costs related to our free installation promotion and other promotional incentives. Advertising and other expenses totaled $138 million and $65 million during the years ended December 31, 2000 and 1999, respectively.

During the year ended December 31, 2000, our marketing promotions included our DISH Network One-Rate Plan, C-band bounty program, Great Rewards program (PrimeStar bounty), Digital Dynamite Plan, cable bounty and a free installation program. Our subscriber acquisition costs under these programs are significantly higher than those under our marketing programs historically.

Under the DISH Network One-Rate Plan, consumers were eligible to receive a rebate of up to $199 on the purchase of certain EchoStar receiver systems. To be eligible for this rebate, a subscriber must have made a one-year commitment to subscribe to our America's Top 150 programming or our America's Top 100 CD programming package plus one premium movie package (or equivalent additional programming). This promotion expired on January 31, 2001.

Under our bounty programs, current cable customers were eligible to receive a free base-level EchoStar receiver system and free installation. To be eligible for this program, a subscriber must have made a one-year commitment to subscribe to either our America's Top 100 CD programming package plus one premium movie package (or equivalent additional programming) or our America's Top 150 programming package and prove that they are a current cable customer. This promotion expired on January 31, 2001.

During July 2000, we announced the commencement of our new Digital Dynamite promotion. The Digital Dynamite plans offer four choices to consumers, ranging from the use of one EchoStar receiver system and our America's Top 100 CD programming package for $35.99 per month, to providing consumers two EchoStar receiver systems and our America's Top 150 programming package for $49.99 per month. With each plan, consumers receive in-home-service, must agree to a one-year commitment and incur a one-time set-up fee of $49.99, which includes the first month's programming payment.

During February 2001, we announced our Free Now promotion offering all new subscribers a free base-level EchoStar receiver system and free installation. To be eligible for this program, a subscriber must provide a valid major credit card and make a one-year commitment to subscribe to either our America's Top 150 programming package or our America's Top 100 CD or DISH Latino Dos programming package plus additional programming totaling at least $39.98 per month. Although subscriber acquisition costs are materially higher under this plan compared to historical promotions, customers under this plan generally are expected to produce materially greater average revenue per subscriber than a typical DISH Network subscriber. In addition, we believe that these customers represent lower credit risk and therefore may be marginally less likely to disconnect their service than other DISH Network subscribers. To the extent that actual consumer participation levels exceed present expectations, subscriber acquisition costs may increase. Although there can be no assurance as to the ultimate duration of the Free Now promotion, we intend to continue it through at least March 2001.

Under our free installation program all customers who purchase an EchoStar receiver system from January 2000 through April 2000, from May 24, 2000 to July 31, 2000 and from September 15, 2000 to March 31, 2001, are eligible to receive a free professional installation. The free installation program was responsible, in part, for the strong subscriber growth during the first half of 2000.

We subsidize the cost and installation of EchoStar receiver systems in order to attract new DISH Network subscribers. There is no clear industry standard used in the calculation of subscriber acquisition costs. Our subscriber acquisition costs include subscriber promotion subsidies - promotional DTH equipment, subscriber promotion subsidies - other and DISH Network acquisition marketing expenses. During the year ended December 31, 2000, our subscriber acquisition costs totaled approximately $1.155 billion, or approximately $452 per new subscriber activation. Since we retain ownership of the equipment, amounts capitalized under our Digital Dynamite Plan are not included in our calculation of these subscriber acquisition costs. Comparatively, our subscriber acquisition costs during the year ended December 31, 1999 totaled $729 million, or approximately $385 per new subscriber activation. The increase in our subscriber acquisition expenses, on a per new subscriber activation basis, principally resulted from the impact of several marketing promotions to acquire new subscribers, including most significantly our free installation offer which was reinstated during September 2000. As a result of continuing competition and our plans to attempt to continue to drive rapid subscriber growth, we expect our per subscriber acquisition costs for 2001 will remain in a range consistent with our 2000 average of approximately $452 per new subscriber activation.

Our subscriber acquisition costs, both in the aggregate and on a per new subscriber activation basis, may materially increase further to the extent that we continue or expand our Free Now program, or introduce other more aggressive promotions if we determine that they are necessary to respond to competition, or for other reasons.

General and Administrative Expenses. General and administrative expenses totaled $234 million during the year ended December 31, 2000, an increase of $92 million as compared to the same period in 1999. The increase in G&A expenses was principally attributable to increased personnel expenses to support the growth of the DISH Network. G&A expenses represented 9% of total revenue during the years ended December 31, 2000 and 1999. Although we expect G&A expenses as a percentage of total revenue to remain near the current level or decline modestly in future periods, this expense to revenue ratio could increase.

Non-cash, Stock-based Compensation. During 1999, we adopted an incentive plan which provided certain key employees with incentives including stock options. The payment of these incentives was contingent upon our achievement of certain financial and other goals. We met certain of these goals during 1999. Accordingly, during 1999, we recorded approximately $179 million of deferred compensation related to post-grant appreciation of stock options granted pursuant to the 1999 incentive plan. The related deferred compensation will be recognized over the five-year vesting period. Accordingly, during the years ended December 31, 2000 and 1999 we recognized $51 million and $61 million, respectively, under this performance-based plan.

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

	DECEMBER 31, 1999	DECEMBER 31, 2000
Customer service center and other	$ 4,328	$ 1,744
Satellite and transmission	2,308	3,061
General and administrative	54,424	46,660
Total non-cash, stock-based compensation	$ 61,060	$ 51,465

Pre-Marketing Cash Flow. Pre-marketing cash flow is comprised of EBITDA plus total marketing expenses. Pre-marketing cash flow was $977 million during the year ended December 31, 2000, an increase of 75% compared to the same period in 1999. Our pre-marketing cash flow as a percentage of total revenue was 36% in 2000 compared to 35% in 1999. We believe that pre-marketing cash flow can be a useful measure of operating efficiency for companies in the DBS industry. While there can be no assurance, we expect that pre-marketing cash flow as a percentage of total revenue will continue to improve, and will approach 40% during 2001.

Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA represents earnings before interest, taxes, depreciation, amortization, and non-cash, stock-based compensation. EBITDA was negative $199 million during the year ended December 31, 2000 compared to negative $182 million during the same period in 1999. This decline in EBITDA principally resulted from an increase in DISH Network marketing expenses primarily resulting from increased subscriber additions. Our calculation of EBITDA for the years ended December 31, 2000 and 1999 does not include approximately $51 million and $61 million, respectively, of non-cash compensation expense resulting from post-grant appreciation of employee stock options. While there can be no assurance, we expect to achieve positive EBITDA for the year ended December 31, 2001. As previously discussed, to the extent we expand our current marketing promotions and our subscriber acquisition costs materially increase, our EBITDA results will be negatively impacted because subscriber acquisition costs are generally expensed as incurred.

It is important to note that EBITDA and pre-marketing cash flow do not represent cash provided or used by operating activities. EBITDA and pre-marketing cash flow should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Depreciation and Amortization. Depreciation and amortization expenses aggregated $175 million during the year ended December 31, 2000, a $65 million increase compared to the same period in 1999. The increase in depreciation and amortization expenses principally resulted from an increase in depreciation related to the commencement of operation of EchoStar V in November 1999 and EchoStar VI in October 2000 and other depreciable assets placed in service during 2000 and late 1999.

Other Income and Expense. Other expense, net, totaled $183 million during the year ended December 31, 2000, a decrease of $26 million compared to the same period in 1999. This decrease primarily resulted from a loss on disposal of assets during the year ended December 31, 1999 and a decrease in interest expense during the year ended December 31, 2000.

Year Ended December 31, 1999 compared to the year ended December 31, 1998.

Revenue. Total revenue for the year ended December 31, 1999 was $1.606 billion, an increase of $620 million compared to total revenue for the year ended December 31, 1998 of $986 million. The increase in total revenue was primarily attributable to DISH Network subscriber growth.

DISH Network subscription television services revenue totaled $1.343 billion for the year ended December 31, 1999, an increase of $674 million compared to the same period in 1998. This increase was directly attributable to the increase in the number of DISH Network subscribers and higher average revenue per subscriber. Average DISH Network subscribers for the year ended December 31, 1999 increased approximately 85% compared to the same period in 1998. As of December 31, 1999, we had approximately 3.4 million DISH Network subscribers compared to 1.9 million at December 31, 1998. Monthly revenue per subscriber was approximately $42.71 during the year ended December 31, 1999 and approximated $39.25 during the same period during 1998. DISH Network subscription television services revenue principally consists of revenue from basic, premium and pay-per-view subscription television services.

For the year ended December 31, 1999, DTH equipment sales and integration services totaled $178 million, a decrease of $76 million compared to the same period during 1998. DTH equipment sales consist of sales of digital set-top boxes and other digital satellite broadcasting equipment to international DTH service operators and sales of DBS accessories. This expected decrease in DTH equipment sales and integration services revenue was primarily attributable to a decrease in demand combined with a decrease in the sales price of digital set-top boxes attributable to increased competition.

Satellite services revenue totaled $41 million during 1999, an increase of $19 million as compared to the same period during 1998. These revenues principally include fees charged to content providers for signal carriage and revenues earned from business television, or BTV customers. The increase in satellite services revenue was primarily attributable to increased BTV revenue due to the addition of new full-time BTV customers.

DISH Network Operating Expenses. DISH Network operating expenses totaled $738 million during 1999, an increase of $341 million or 86%, compared to the same period in 1998. The increase in DISH Network operating expenses was consistent with, and primarily attributable to, the increase in the number of DISH Network subscribers. DISH Network operating expenses represented 55% and 59% of subscription television services revenue during the years ended December 31, 1999 and 1998, respectively.

Subscriber-related expenses totaled $581 million during 1999, an increase of $283 million compared to the same period in 1998. Such expenses, which include programming expenses, copyright royalties, residuals payable to retailers and distributors, and billing, lockbox and other variable subscriber expenses, represented 43% of subscription television services revenues during the year ended December 31, 1999 compared to 45% during the same period in 1998.

Customer service center and other expenses principally consist of costs incurred in the operation of our DISH Network customer service centers, such as personnel and telephone expenses, as well as subscriber equipment installation and other operating expenses. Customer service center and other expenses totaled $117 million during 1999, an increase of $45 million as compared to the same period in 1998. The increase in customer service center and other expenses resulted from increased personnel and telephone expenses to support the growth of the DISH Network. Customer service center and other expenses totaled 9% of subscription television services revenue during 1999, as compared to 11% during the same period in 1998.

Satellite and transmission expenses include expenses associated with the operation of our digital broadcast center, contracted satellite telemetry, tracking and control services, and satellite in-orbit insurance. Satellite and transmission expenses totaled $40 million during 1999, a $14 million increase compared to the same period in 1998. This increase resulted from higher satellite and other digital broadcast center operating expenses due to an increase in the number of operational satellites. Satellite and transmission expenses totaled 3% and 4% of subscription television services revenue during the year ended December 31, 1999 and 1998, respectively.

Cost of sales - DTH equipment and Integration Services. Cost of sales - DTH equipment and integration services totaled $150 million during 1999, a decrease of $25 million compared to the same period in 1998. 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 and DBS accessories. Cost of sales - DTH equipment and integration services represented 84% and 69% of DTH equipment revenue, during the years ended December 31, 1999 and 1998, respectively. The lower margin was principally attributable to a $16.6 million loss provision primarily for component parts and purchase commitments related to our first generation model 7100 set-top boxes, for which production has been suspended in favor of our second generation model 7200 set-top boxes. The write-off partially offset the expected decrease in cost of sales - DTH equipment and integration services attributable to a decrease in demand combined with increased competition.

Marketing Expenses. Marketing expenses totaled $742 million during 1999, an increase of $410 million compared to the same period in 1998. The increase in marketing expenses was primarily attributable to an increase in subscriber promotion subsidies. Subscriber promotion subsidies - promotional DTH equipment includes the cost related to EchoStar receiver systems distributed to retailers and other distributors of our equipment. Subscriber promotion subsidies - other includes net costs related to our free installation promotion and other promotional incentives. Advertising and other expenses totaled $65 million and $48 million during the years ended December 31, 1999 and 1998, respectively.

During 1999, our total subscriber acquisition costs, inclusive of acquisition marketing expenses, totaled approximately $729 million, or approximately $385 per new subscriber activation. Comparatively, our subscriber acquisition costs during the year ended December 31, 1998, inclusive of acquisition marketing expenses and deferred subscriber acquisition costs, totaled $317 million, or approximately $285 per new subscriber activation. The increase in our subscriber acquisition costs, on a per new subscriber activation basis, principally resulted from the introduction of several aggressive marketing promotions to acquire new subscribers.

General and Administrative Expenses. General and administrative expenses totaled $142 million during 1999, an increase of $47 million as compared to the same period in 1998. 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 increased to 9% during the year ended December 31, 1999 compared to 10% during the same period in 1998.

Non-cash, Stock-based Compensation. During 1999, we adopted an incentive plan which provided certain key employees with incentives including stock options. The payment of these incentives was contingent upon our achievement of certain financial and other goals. We met certain of these goals during 1999. Accordingly, during 1999, we recorded approximately $179 million of deferred compensation related to post-grant appreciation of stock options granted pursuant to the 1999 incentive plan. The related deferred compensation will be recognized over the five-year period. Accordingly, during the year ended December 31, 1999 we recognized $61 million under this performance-based plan.

Pre-Marketing Cash Flow. Pre-marketing cash flow is comprised of EBITDA plus total marketing expenses. Pre-marketing cash flow was $560 million during the year ended December 31, 1999, an increase of 85% compared to the same period in 1998. Our pre-marketing cash flow as a percentage of total revenue was 35% in 1999 compared to 31% in 1998. We believe that pre-marketing cash flow can be a useful measure of operating efficiency for companies in the DBS industry.

Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA represents earnings before interest, taxes, depreciation, amortization, and non-cash, stock-based compensation. EBITDA was negative $182 million during the year ended December 31, 1999 compared to negative $29 million during the same period in

1998. EBITDA, as adjusted to exclude amortization of subscriber acquisition costs, was negative $182 million for the year ended December 31, 1999 compared to negative $48 million for the same period in 1998. This decline in EBITDA principally resulted from an increase in DISH Network operating and marketing expenses. Our calculation of EBITDA for the year ended December 31, 1999 does not include approximately $61 million of non-cash compensation expense resulting from post-grant appreciation of stock options granted to employees.

It is important to note that EBITDA and pre-marketing cash flow do not represent cash provided or used by operating activities. EBITDA and pre-marketing cash flow should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Depreciation and Amortization. Depreciation and amortization expenses aggregated $110 million during 1999, an $8 million increase compared to the same period in 1998, during which subscriber acquisition costs were amortized. Commencing October 1997, we instead expensed all of these costs at the time of sale. The increase in depreciation and amortization expenses principally resulted from an increase in depreciation related to the commencement of operation of EchoStar IV in August of 1998, the commencement of operation of EchoStar V in November 1999 and other depreciable assets placed in service during 1999, partially offset by subscriber acquisition costs becoming fully amortized during the third quarter of 1998.

Other Income and Expense. Other expense, net, totaled $209 million during 1999, an increase of $46 million compared to the same period in 1998. This increase resulted from an increase in interest expense. In January 1999, we refinanced our outstanding 12 1/2% Senior Secured Notes due 2002 issued in June 1997, our 12 7/8% Senior Secured Discount Notes due 2004 issued in 1994, and our 13 1/8% Senior Secured Discount Notes due 2004 issued in 1996 at more favorable interest rates and terms. In connection with the refinancing, we consummated an offering of 9 1/4% Senior Notes due 2006 and 9 3/8% Senior Notes due 2009, referred to herein as the 9 1/4% Seven Year Notes and 9 3/8% Ten Year Notes. Although the 9 1/4% Seven Year Notes and 9 3/8% Ten Year Notes have lower interest rates than the debt securities we repurchased, interest expense increased by approximately $23 million because we raised additional debt to cover tender premiums and consent and other fees related to the refinancing.

Extraordinary Charge for Early Retirement of Debt. In connection with the January 1999 refinancing, we recognized an extraordinary loss of $229 million comprised of debt costs, discounts, tender costs, and premiums paid over the accreted values of the debt retired.

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 or SAB 101, "Views on Selected Revenue Recognition Issues." SAB 101 provides guidance on applying generally accepted accounting principles to selected revenue recognition issues. The provisions of SAB 101 and certain related EITF consensuses were required to be adopted in the quarter ended December 31, 2000 retroactive to January 1, 2000, with any cumulative effect as of January 1, 2000 reported as the cumulative effect of a change in accounting principle. Our adoption of SAB 101 resulted in no recognition of a cumulative effect of a change in accounting principle.

SEASONALITY

Our revenues vary throughout the year. As is typical in the subscription television service industry, our first half of the year generally produces lower new subscriber revenues than the second half of the year. Our operating results in any period may be affected by the incurrence of advertising and promotion expenses that do not necessarily produce commensurate revenues in the short-term until the impact of such advertising and promotion is realized in future periods.

INFLATION

Inflation has not materially affected our operations during the past three years. We believe that our ability to increase the prices charged for our products and services in future periods will depend primarily on competitive pressures. We do not have any material backlog of our products.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

As of December 31, 2000, our unrestricted cash, cash equivalents and marketable investment securities had a fair value of $97 million which was invested in: (a) cash; (b) debt instruments of the U.S. Government and its agencies; (c) commercial paper with an average maturity of less than one year and rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations; and (d) instruments with similar risk characteristics to the commercial paper described above. The primary purpose of these investing activities has been to preserve principal until the cash is required to fund operations. Consequently, the size of this portfolio fluctuates significantly as cash is raised and used in our business.

The value of certain of the investments in this portfolio can be impacted by, among other things, the risk of adverse changes in securities and economic markets generally, as well as the risks related to the performance of the companies whose commercial paper and other instruments we hold. However, the high quality of these investments (as assessed by independent rating agencies), reduces these risks. The value of these investments can also be impacted by interest rate fluctuations. At December 31, 2000, all of our investments in this category were in fixed rate instruments or money market type accounts. While an increase in interest rates would ordinarily adversely impact the fair value of fixed rate investments, we normally hold these investments to maturity. Consequently, neither interest rate fluctuations nor other market risks typically result in significant gains or losses to this portfolio. A decrease in interest rates has the effect of reducing our future annual interest income from this portfolio, since funds would be re-invested at lower rates as the instruments mature. Over time, any net percentage decrease in interest rates could be reflected in a corresponding net percentage decrease in our interest income. During 1999 and 2000, the impact of interest rate fluctuations, changed business prospects and all other factors did not have a material impact on the fair value of the portfolio, or on our income derived from this portfolio.

We currently have accumulated net unrealized losses on certain of our investments as disclosed on our accompanying balance sheets. There can be no assurance that the accumulated net unrealized losses will not increase or that some or all of these losses will not have to be recorded as charges to earnings in future periods. We have not used derivative financial instruments for speculative purposes. We have not hedged or otherwise protected against the risks associated with any of our investing or financing activities.

As of December 31, 2000, we estimated the fair value of our fixed-rate debt and mortgages and other notes payable to be approximately $2 billion using quoted market prices where available, or discounted cash flow analyses. The fair value of our fixed rate debt and mortgages is affected by fluctuations in interest rates. A hypothetical 10% decrease in assumed interest rates would increase the fair value of our debt by approximately $104 million. To the extent interest rates increase, our costs of financing would increase at such time as we are required to refinance our debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements are included in this report beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

(1) Financial Statements

(2) Financial Statement Schedules

None. All schedules have been included in the Consolidated Financial Statements or Notes thereto.

(3) Exhibits

Exhibit No.	Description
3.1(a)*	Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.4(a) to the Company's Registration Statement on Form S-4, Registration No. 333-31929).
3.1(b)*	Bylaws of the Company (incorporated by reference to Exhibit 3.4(b) to the Company's Registration Statement on Form S-4, Registration No. 333-31929).
4.1*	Indenture relating to the Seven Year Notes, dated as of January 25, 1999, by and among the Company, the Guarantors and U.S. Bank Trust National Association, as trustee.(incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4, Registration No. 333-71345).
4.2*	Indenture relating to the Ten Year Notes, dated as of January 25, 1999, by and among the Company, the Guarantors and U.S. Bank Trust National Association, as trustee. (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-4, Registration No. 333-71345).
4.3*	Registration Rights Agreement relating to the Seven Year Notes by and among the Company, the Guarantors and the parties named therein. (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-4, Registration No. 333-71345).
4.4*	Registration Rights Agreement relating to the Ten Year Notes by and among the Company, the Guarantors and the parties named therein. (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-4, Registration No. 333-71345).
10.1*	Key Employee Bonus Plan, dated as of January 1, 1994 (incorporated by reference to Exhibit 10.7 to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).
10.2*	Consulting Agreement, dated as of February 17, 1994, between ESC and Telesat Canada (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).

10.3* Form of Satellite Launch Insurance Declarations (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 of Dish, Registration No. 33-81234).

10.4* Dish 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.11 to the Registration Statement on Form S-1 of Dish, Registration No. 33-76450).

10.5* Form of Tracking, Telemetry and Control Contract between AT&T Corp. and ESC (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Dish, Registration No. 33-81234).

10.6* Manufacturing Agreement, dated as of March 22, 1995, between Houston Tracker Systems, Inc. and SCI Technology, Inc. (incorporated by reference to Exhibit 10.12 to the Registration Statement on Form S-1 of Dish, Commission File No. 33-81234).

10.7* Statement of Work, dated January 31, 1995 from ESC to Divicom Inc. (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of ECC, Registration No. 33-91276).

10.8* EchoStar 1995 Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to the Registration Statement on Form S-1 of ECC, Registration No. 33-91276).

10.9* Satellite Construction Contract, dated as of July 18, 1996, between EDBS and Lockheed Martin Corporation (incorporated by reference to Exhibit 10.18 to the Quarterly Report on Form 10-Q of ECC for the quarter ended June 30, 1996, Commission File No. 0-26176).

10.10* Confidential Amendment to Satellite Construction Contract between DBSC and Martin Marietta, dated as of May 31, 1995 (incorporated by reference to Exhibit 10.14 to the Registration Statement of Form S-4 of ECC, Registration No. 333-03584).

10.11* Agreement between HTS, ESC and ExpressVu Inc., dated January 8, 1997, as amended (incorporated by reference to Exhibit 10.18 to the Annual Report on Form 10-K of ECC for the year ended December 31, 1996, as amended, Commission file No. 0-26176).

10.12* Amendment No. 9 to Satellite Construction Contract, effective as of July 18, 1996, between Direct Satellite Broadcasting Corporation, a Delaware corporation ("DBSC") and Martin Marietta Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of ECC for the quarterly period ended June 30, 1997, Commission File No. 0-26176).

10.13* Amendment No. 10 to Satellite Construction Contract, effective as of May 31, 1996, between DBSC and Lockheed Martin Corporation (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of ECC for the quarterly period ended June 30, 1997, Commission File No. 0-26176).

10.14* OEM Manufacturing, Marketing and Licensing Agreement, dated as of February 17, 1998, by and among HTS, ESC and Philips Electronics North America Corporation (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of ECC for the quarterly period ended March 31, 1998, Commission File No. 0-26176).

10.15* Licensing Agreement, dated as of February 23, 1998, by and among HTS, ESC and VTech Communications Ltd. (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of ECC for quarterly period ended March 31, 1998, Commission File No. 0-26176).

10.16* Purchase Agreement by and among American Sky Broadcasting, LLC, The News Corporation Limited, MCI Telecommunications Corporation and EchoStar Communications Corporation, dated November 30, 1998. (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by ECC on November 30, 1998, Commission File No. 0-26176).

10.17*	Voting Agreement dated November 30, 1998, among EchoStar Communications Corporation, American Sky Broadcasting, LLC, The News Corporation Limited and MCI Telecommunications Corporation (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of EchoStar, filed as of December 1, 1998).
10.18*	First Amendment, dated June 23, 1999, to the Purchase Agreement dated November 30, 1998, by and among American Sky Broadcasting, LLC, The News Corporation Limited, MCI Telecommunications Corporation, and EchoStar Communications Corporation (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of EchoStar, filed as of July 2, 1999, Commission File No. 0-26176).
10.19*	Registration Rights Agreement, dated June 24, 1999, by and among EchoStar Communications Corporation, MCI Telecommunications Corporation, American Sky Broadcasting, LLC, and News America Incorporated (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K of EchoStar, filed as of July 2, 1999, Commission File No. 0-26176).

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*   Incorporated by reference.
** Constitutes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the fourth quarter of 2000.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, EchoStar has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ECHOSTAR DBS CORPORATION

By: /s/ Michael R. McDonnell

Michael R. McDonnell
Senior Vice President and Chief Financial Officer

Date: March 30, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of EchoStar and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Charles W. Ergen Charles W. Ergen	Chief Executive Officer and Director (Principal Executive Officer)	March 30, 2001
/s/ Michael R. McDonnell Michael R. McDonnell	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 30, 2001
/s/ James DeFranco James DeFranco	Director	March 30, 2001
/s/ David K. Moskowitz David K. Moskowitz	Director	March 30, 2001

* By: /s/ David K. Moskowitz

David K. Moskowitz
Attorney-in-Fact

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To EchoStar DBS Corporation:

We have audited the accompanying consolidated balance sheets of EchoStar DBS Corporation (a Colorado corporation) and subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of operations and comprehensive loss, changes in stockholder's deficit and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EchoStar DBS Corporation and subsidiaries as of December 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Denver, Colorado,
March 6, 2001.

ECHOSTAR DBS CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	DECEMBER 31, 1999	DECEMBER 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 159,761	$ 91,572
Marketable investment securities	24,774	4,992
Trade accounts receivable, net of allowance for uncollectible accounts of $13,109 and $19,934, respectively	157,944	275,321
Insurance receivable	106,000	106,000
Inventories	123,184	159,665
Other current assets	27,027	25,201
Total current assets	598,690	662,751
Cash reserved for satellite insurance (Note 3)	--	82,393
Property and equipment, net	1,314,007	1,329,181
FCC authorizations, net	722,234	709,817
Other noncurrent assets	95,276	86,249
Total assets	$ 2,730,207	$ 2,870,391
LIABILITIES AND STOCKHOLDER'S DEFICIT		
Current Liabilities:		
Trade accounts payable	$ 187,703	$ 144,263
Deferred revenue	181,034	282,939
Accrued expenses	483,635	615,693
Advances from affiliates, net	272,440	758,814
Current portion of long-term debt	21,017	19,642
Total current liabilities	1,145,829	1,821,351
Long-term obligations, net of current portion:		
9 1/4% Seven Year Notes	375,000	375,000
9 3/8% Ten Year Notes	1,625,000	1,625,000
1994 Notes, 1996 Notes, 1997 Notes, mortgages and other notes payable, net of current portion	28,060	11,644
Long-term deferred distribution and carriage revenue and other long-term liabilities	18,812	56,047
Total long-term obligations, net of current portion	2,046,872	2,067,691
Total liabilities	3,192,701	3,889,042
Commitments and Contingencies (Note 8)		
Stockholder's Deficit:		
Common Stock, $.01 par value, 3,000 shares authorized, issued and outstanding	--	--
Additional paid-in capital	1,448,324	1,440,252
Deferred stock-based compensation	(117,780)	(58,193)
Accumulated other comprehensive loss	--	(7)
Accumulated deficit	(1,793,038)	(2,400,703)
Total stockholder's deficit	(462,494)	(1,018,651)
Total liabilities and stockholder's deficit	$ 2,730,207	$ 2,870,391

See accompanying Notes to Consolidated Financial Statements.

ECHOSTAR DBS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands)

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
REVENUE:			
DISH Network:			
Subscription television services	$ 669,310	$ 1,343,234	$ 2,342,358
Other	12,799	9,369	8,482
Total DISH Network	682,109	1,352,603	2,350,840
DTH equipment sales and integration services	253,841	178,325	255,925
Satellite services	22,304	40,657	53,267
Other	27,655	34,706	48,882
Total revenue	985,909	1,606,291	2,708,914
COSTS AND EXPENSES:			
DISH Network Operating Expenses:			
Subscriber-related expenses	298,443	580,979	981,403
Customer service center and other	72,482	117,249	250,672
Satellite and transmission	26,067	40,083	36,178
Total DISH Network operating expenses	396,992	738,311	1,268,253
Cost of sales - DTH equipment and integration services	174,615	149,527	196,908
Cost of sales - other	16,496	17,076	32,978
Marketing:			
Subscriber promotion subsidies - promotional DTH equipment	243,425	478,122	747,020
Subscriber promotion subsidies - other	40,269	199,405	290,197
Advertising and other	47,986	64,660	138,202
Total marketing expenses	331,680	742,187	1,175,419
General and administrative	94,824	141,668	233,966
Non-cash, stock-based compensation	--	61,060	51,465
Amortization of subscriber acquisition costs	18,819	--	--
Depreciation and amortization	83,338	110,031	174,607
Total costs and expenses	1,116,764	1,959,860	3,133,596
Operating loss	(130,855)	(353,569)	(424,682)
Other Income (Expense):			
Interest income	10,111	12,566	13,066
Interest expense, net of amounts capitalized	(172,942)	(196,390)	(193,685)
Other	(618)	(24,892)	(2,239)
Total other income (expense)	(163,449)	(208,716)	(182,858)
Loss before income taxes	(294,304)	(562,285)	(607,540)
Income tax provision, net	(71)	(131)	(125)
Loss before extraordinary charges	(294,375)	(562,416)	(607,665)
Extraordinary charge for early retirement of debt, net of tax	--	(228,733)	--
Net loss	$ (294,375)	$ (791,149)	$ (607,665)
Change in unrealized gain (loss) on available-for-sale securities, net of tax	8	--	(7)
Comprehensive loss	$ (294,367)	$ (791,149)	$ (607,672)

See accompanying Notes to Consolidated Financial Statements.

ECHOSTAR DBS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S DEFICIT
(In thousands)

	COMMON STOCK SHARES	COMMON STOCK AMT.	ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK-BASED COMPENSATION	ACCUMULATED DEFICIT AND UNREALIZED HOLDING GAINS (LOSSES)	TOTAL
Balance, December 31, 1997	3	$ --	$ 125,164	$ --	$ (438,934)	$ (313,770)
Contribution of satellite asset	--	--	20,000	--	--	20,000
Unrealized holding gains on available-for-sale securities, net	--	--	--	--	8	8
Net loss	--	--	--	--	(294,375)	(294,375)
Balance, December 31, 1998	3	--	145,164	--	(733,301)	(588,137)
Contribution of satellite assets acquired by ECC from News Corporation and MCI	--	--	1,124,320	--	--	1,124,320
Deferred stock-based compensation funded by ECC	--	--	178,840	(178,840)	--	--
Deferred stock-based compensation recognized	--	--	--	61,060	--	61,060
Capital contribution to ECC	--	--	--	--	(268,588)	(268,588)
Net loss	--	--	--	--	(791,149)	(791,149)
Balance, December 31, 1999	3	--	1,448,324	(117,780)	(1,793,038)	(462,494)
Forfeitures of deferred non-cash, stock-based compensation	--	--	(8,072)	6,730	--	(1,342)
Deferred stock-based compensation recognized	--	--	--	52,857	--	52,857
Unrealized holding losses on available-for-sale securities, net	--	--	--	--	(7)	(7)
Net loss	--	--	--	--	(607,665)	(607,665)
Balance, December 31, 2000	3	$ --	$1,440,252	$ (58,193)	$(2,400,710)	$(1,018,651)

See accompanying Notes to Consolidated Financial Statements.

ECHOSTAR DBS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (294,375)	$ (791,149)	$ (607,665)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Extraordinary charge for early retirement of debt	--	228,733	--
Loss on impairment of satellite (Note 3)	--	13,741	--
Loss on disposal of assets	--	9,846	1,374
Deferred stock-based compensation recognized	--	61,060	51,465
Depreciation and amortization	83,338	110,031	173,233
Amortization of subscriber acquisition costs	18,819	--	--
Interest on notes payable to ECC added to principal	5,215	330	--
Amortization of debt discount and deferred financing costs	125,724	13,440	3,280
Change in reserve for excess and obsolete inventory	1,341	(1,301)	5,962
Change in long-term deferred satellite services revenue and other long-term liabilities	13,858	10,173	37,236
Superstar exclusivity fee	--	(10,000)	3,611
Other, net	--	--	(435)
Changes in current assets and current liabilities:			
Trade accounts receivable, net	(41,698)	(50,201)	(117,377)
Inventories	(55,056)	(45,175)	(41,160)
Other current assets	(11,611)	2,373	4,062
Trade accounts payable	21,526	97,141	(43,440)
Deferred revenue	10,642	48,177	101,905
Accrued expenses	68,328	217,727	178,002
Net cash flows from operating activities	(53,949)	(85,054)	(249,947)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of marketable investment securities	(8,970)	(186,866)	--
Sales of marketable investment securities	5,868	169,092	19,775
Cash reserved for satellite insurance (Note 3)	--	--	(82,393)
Funds released from escrow and restricted cash and marketable investment securities	116,468	77,657	--
Offering proceeds and investment earnings placed in escrow	(6,343)	--	--
Purchases of property and equipment	(153,513)	(87,597)	(175,313)
Advances and payments under in-orbit satellite contract	--	67,804	(48,894)
Other	3,150	(1,318)	--
Net cash flows from investing activities	(43,340)	38,772	(286,825)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Non-interest bearing advances from affiliates	77,090	217,635	486,374
Proceeds from issuance of 9 1/4% Seven Year Notes	--	375,000	--
Proceeds from issuance of 9 3/8% Ten Year Notes	--	1,625,000	--
Debt issuance costs and prepayment premiums	--	(233,721)	--
Retirement of 1994 Notes	--	(575,674)	--
Retirement of 1996 Notes	--	(501,350)	--
Retirement of 1997 Notes	--	(378,110)	--
Capital contribution to ECC	--	(268,588)	--
Repayment of note payable to ECC	--	(60,142)	--
Repayments of mortgage indebtedness and other notes payable	(16,552)	(22,180)	(15,176)
Other	--	2,865	(2,615)
Net cash flows from financing activities	60,538	180,735	468,583
Net increase (decrease) in cash and cash equivalents	(36,751)	134,453	(68,189)
Cash and cash equivalents, beginning of year	62,059	25,308	159,761
Cash and cash equivalents, end of year	$ 25,308	$ 159,761	$ 91,572

See accompanying Notes to Consolidated Financial Statements.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS ACTIVITIES

Basis of Presentation

EchoStar DBS Corporation ("EDBS" or the "Company"), is a wholly-owned subsidiary of EchoStar Broadband Corporation ("EBC"), which is a wholly-owned subsidiary of EchoStar Communications Corporation ("ECC" and together with its subsidiaries "EchoStar"), a publicly traded company on the Nasdaq National Market. During September 2000, EBC was formed for the purpose of issuing new debt. In connection with the EBC debt offering, ECC contributed all of the outstanding capital stock of its wholly-owned subsidiaries, EchoStar Orbital Corporation and EDBS, to EBC concurrent with the closing of the offering. Contracts for the construction and launch of EchoStar VII, EchoStar VIII and EchoStar IX are held in EchoStar Orbital Corporation.

During March 1999, EchoStar placed ownership of all of its direct broadcast satellites and related FCC licenses into EchoStar Satellite Corporation ("ESC"). DirectSat Corporation, Direct Broadcasting Satellite Corporation ("DBSC") and EchoStar Space Corporation ("Space") were merged into ESC. Dish, Ltd., and EchoStar Satellite Broadcasting Company ("ESBC") were merged into the Company. EchoStar IV and the related FCC licenses were transferred to ESC. The accompanying financial statements retroactively reflect these reorganizations.

EDBS was formed under Colorado law in January 1996 for the initial purpose of participating in an FCC auction. On January 26, 1996, EDBS submitted the winning bid of $52.3 million for 24 direct broadcast satellite ("DBS") frequencies at the 148(degree) West Longitude ("WL") orbital location. Funds necessary to complete the purchase of the DBS frequencies and commence construction of the Company's fourth DBS satellite, EchoStar IV, were advanced to the Company by ECC. In June 1997, EDBS completed an offering (the "1997 Notes Offering") of 12 1/2% Senior Secured Notes due 2002 (the "1997 Notes"). The 1997 Notes were retired on January 25, 1999 upon completion of the tender offers. Prior to consummation of the 1997 Notes Offering, ECC contributed all of the outstanding capital stock (the "Contribution") of ESBC to EDBS As a result of the Contribution, ESBC became a wholly-owned subsidiary of EDBS This transaction was accounted for as a reorganization of entities under common control in which ESBC is treated as the predecessor of EDBS.

During 1994, EchoStar acquired approximately 40% of the outstanding common stock of Direct Broadcasting Satellite Corporation ("Old DBSC"). Old DBSC's principal assets included an FCC conditional satellite permit and specific orbital slot assignments for a total of 22 DBS frequencies. Through December 1996, EchoStar advanced Old DBSC a total of $46 million in the form of notes receivable to enable Old DBSC to make required payments under its satellite (EchoStar III) construction contract. On January 8, 1997, EchoStar consummated the merger of Old DBSC with a wholly-owned subsidiary of EchoStar, DBSC, as defined above. EchoStar issued approximately 650,000 shares of its Class A common stock to acquire the remaining 60% of Old DBSC that it did not previously own. This transaction was accounted for as a purchase and the excess of the purchase price over the fair value of Old DBSC's tangible assets was allocated to Old DBSC's FCC authorizations (approximately $16 million). Upon consummation of the merger, Old DBSC ceased to exist.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Principal Business

Unless otherwise stated herein, or the context otherwise requires, references herein to EchoStar shall include ECC, EBC, EDBS and all direct and indirect wholly-owned subsidiaries thereof. The operations of EchoStar include the following three interrelated business units.

- The DISH Network - a direct broadcast satellite ("DBS") subscription television service in the United States. As of December 31, 2000, we had approximately 5.26 million DISH Network subscribers.

- EchoStar Technologies Corporation ("ETC") - engaged in the design, development, distribution and sale of DBS set-top boxes, antennae and other digital equipment for the DISH Network ("EchoStar receiver systems"), the design, development and distribution of similar equipment for international direct-to-home ("DTH") satellite and other systems and the provision of uplink center design, construction oversight and other project integration services for international DTH ventures.

- Satellite Services - engaged in the delivery of video, audio and data services to business television customers and other satellite users. These services may include satellite uplink services, satellite transponder space usage, billing, customer service 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, six DBS satellites ("EchoStar I," "EchoStar II," "EchoStar III," "EchoStar IV," "EchoStar V," and "EchoStar VI"), EchoStar receiver systems, digital broadcast operations centers, 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 United States to provide consumers with a fully competitive alternative to cable television service.

Organization and Legal Structure

The following table summarizes the organizational structure of EchoStar and its principal subsidiaries as of December 31, 2000:

LEGAL ENTITY	REFERRED TO HEREIN AS	PARENT
EchoStar Communications Corporation	ECC	Publicly owned
EchoStar Broadband Corporation	EBC	ECC
EchoStar DBS Corporation	EDBS	EBC
EchoStar Orbital Corporation	EOC	EBC
EchoStar Satellite Corporation	ESC	EDBS
Echosphere Corporation	Echosphere	EDBS
EchoStar Technologies Corporation	ETC	EDBS

Significant Risks and Uncertainties

Substantial Leverage. The Company is highly leveraged, which makes it vulnerable to changes in general economic conditions. As of December 31, 2000, the Company had outstanding long-term debt (including both the current and long-term portions) totaling approximately $2.0 billion. In August 1999, the Company began paying semi-annual interest payments of approximately $94 million related to its 9 1/4% Senior Notes due 2006 (the "9 1/4% Seven Year Notes") and its 9 3/8% Senior Notes due 2009 (the "9 3/8% Ten Year Notes"). The Company's ability to meet its debt service obligations will depend on, among other factors, the successful execution of its business strategy, which is subject to uncertainties and contingencies beyond the Company's control.

Expected Operating Losses. Since 1996, the Company has reported significant operating and net losses. Improvements in the Company's future results of operations are largely dependent upon its ability to increase its

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

customer base while maintaining its overall cost structure, controlling subscriber turnover and effectively managing its subscriber acquisition costs. No assurance can be given that the Company will be effective with regard to these matters. In addition, the Company incurs significant acquisition costs to obtain DISH Network subscribers. The high cost of obtaining new subscribers magnifies the negative effects of subscriber turnover. EDBS is dependent on EBC and ECC for the continued funding of its operations, to the extent that EDBS does not engage in its own capital funding efforts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. At December 31, 1998, 1999 and 2000, these equity and cost method investments were not material to the Company's consolidated financial statements.

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.

Foreign Currency Transaction Gains and Losses

The functional currency of the Company's foreign subsidiaries is the U.S. dollar because their sales and purchases are predominantly denominated in that currency. Transactions denominated in currencies other than U.S. dollars are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in income as unrealized (based on period-end translation) or realized (upon settlement of the transaction). Net transaction gains (losses) during 1998, 1999 and 2000 were not material to the Company's results of operations.

Statements of Cash Flows Data

The following presents the Company's supplemental cash flow statement disclosure (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Cash paid for interest	$ 57,706	$ 126,172	$ 188,911
Cash paid for income taxes	83	119	361
Capitalized interest	21,619	--	--
Satellite vendor financing	12,950	--	--
Contribution of satellite asset	20,000		--
Assets acquired from News Corporation and MCI:			
FCC licenses and other	--	626,120	--
Satellites	--	451,200	--
Digital broadcast operations center	--	47,000	--
Capital contribution from ECC	--	1,124,320	--
Forfeitures of deferred non-cash, stock-based compensation	--	--	8,072

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Cash and Cash Equivalents

The Company considers all liquid investments purchased with an original maturity of 90 days or less to be cash equivalents. Cash equivalents as of December 31, 1999 and 2000 consist of money market funds, corporate notes and commercial paper; such balances are stated at cost which approximates market value.

Marketable Investment Securities and Restricted Cash and Marketable Investment Securities

As of December 31, 1999 and 2000, the Company has classified all marketable investment securities as available-for-sale. The fair market value of marketable investment securities approximates the carrying value and represents the quoted market prices at the balance sheet dates. Related unrealized gains and losses are reported as a separate component of stockholder's deficit, net of related deferred income taxes, if applicable. The specific identification method is used to determine cost in computing realized gains and losses. Such unrealized losses totaled approximately $7,000 as of December 31, 2000. In accordance with generally accepted accounting principles, unrealized losses which represent an "other than temporary impairment" must be recognized in the statement of operations, establishing a new cost basis for such investment. No such "other than temporary impairment" was recognized as of December 31, 2000. However, an "other than temporary impairment" could be recognized in 2001 if the fair value of such investments do not increase to their original cost basis.

The major components of marketable investment securities are as follow (in thousands):

	MARKETABLE INVESTMENT SECURITIES DECEMBER 31,	
	1999	2000
Commercial paper	$ 9,053	$ --
Corporate notes and bonds	7,742	--
Government bonds	7,979	4,992
	$ 24,774	$ 4,992

As of December 31, 2000, marketable investment securities include debt securities of approximately $5 million with contractual between one and five years. Actual maturities may differ from contractual maturities as a result of the Company's ability to sell these securities prior to maturity.

Fair Value of Financial Instruments

Fair values for the Company's high-yield debt are based on quoted market prices. The fair values of the Company's mortgages and other notes payable are estimated using discounted cash flow analyses. The interest rates assumed in such discounted cash flow analyses reflect interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The following table summarizes the book and fair values of the Company's debt facilities at December 31, 1999 and 2000 (in thousands):

	DECEMBER 31, 1999		DECEMBER 31, 2000	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
9 1/4% Seven Year Notes	$ 375,000	$ 377,813	$ 375,000	$ 365,625
9 3/8% Ten Year Notes	1,625,000	1,637,188	1,625,000	1,584,375
1994 Notes, 1996 Notes, 1997 Notes, mortgages and other notes payable	49,077	48,680	31,286	30,837

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. Proprietary products are manufactured by outside suppliers to the Company's specifications. Manufactured inventories include materials, labor and manufacturing overhead. Cost of other inventories includes parts, contract manufacturers' delivered price, assembly and testing labor, and related overhead, including handling and storage costs. Inventories consist of the following (in thousands):

	DECEMBER 31,	
	1999	2000
Finished goods - DBS	$ 63,054	$ 94,997
Raw materials	35,751	40,069
Finished goods - reconditioned and other	19,509	23,101
Work-in-process	7,666	8,879
Consignment	1,084	2,461
Reserve for excess and obsolete inventory	(3,880)	(9,842)
	$ 123,184	$ 159,665

During December 1999, the Company provided for losses of $16.6 million, primarily for component parts and purchase commitments related to its first generation model 7100 set-top boxes. Production of model 7100 was suspended in favor of its second generation model 7200 set-top boxes.

Property and Equipment

Property and equipment are stated at cost. Cost includes interest capitalized of $16 million during the year ended December 31, 1998. No interest was capitalized during 1999 or 2000. The costs of satellites under construction are capitalized during the construction phase, assuming the eventual successful launch and in-orbit operation of the satellite. If a satellite were to fail during launch or while in-orbit, the resultant loss would be charged to expense in the period such loss was incurred. The amount of any such loss would be reduced to the extent of insurance proceeds received as a result of the launch or in-orbit failure. Depreciation is recorded on a straight-line basis for financial reporting purposes. Repair and maintenance costs are charged to expense when incurred. Renewals and betterments are capitalized.

The Company reviews its long-lived assets and identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For assets which are held and used in operations, the asset would be impaired if the book value of the asset exceeded the undiscounted future net cash flows related to the asset. For those assets which are to be disposed of, the assets would be impaired to the extent the fair value does not exceed the book value. The Company considers relevant cash flow, estimated future operating results, trends and other available information including the fair value of frequency rights owned, in assessing whether the carrying value of assets are recoverable.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FCC Authorizations

FCC authorizations are recorded at cost and amortized using the straight-line method over a period of 40 years. Such amortization commences at the time the related satellite becomes operational; capitalized costs are written off at the time efforts to provide services are abandoned. FCC authorizations include capitalized interest of $6 million during the year ended December 31, 1998. No interest was capitalized to FCC authorizations during 1999 or 2000.

Revenue Recognition

Revenue from the provision of DISH Network subscription television services and satellite services is recognized as revenue in the period such services are provided. Revenue from sales of digital set-top boxes and related accessories is recognized upon shipment to customers. Revenue from the provision of integration services is recognized as revenue in the period the services are performed.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 or SAB 101, "Views on Selected Revenue Recognition Issues." SAB 101 provides guidance on applying generally accepted accounting principles to selected revenue recognition issues. The provisions of SAB 101 and certain related EITF consensuses were required to be adopted in the quarter ended December 31, 2000 retroactive to January 1, 2000, with any cumulative effect as of January 1, 2000 reported as a cumulative effect of a change in accounting principle. The Company's adoption of SAB 101 resulted in no recognition of a cumulative effect of a change in accounting principle.

Subscriber Promotion Subsidies and Subscriber Acquisition Costs

Subscriber promotion subsidies - promotional DTH equipment includes the cost of Echostar receiver systems distributed to retailers and other distributors of Echostar's equipment. Subscriber promotion subsidies - other includes net costs related to various installation promotions and other promotional incentives. Accordingly, subscriber acquisition costs are generally expensed as incurred except for under EchoStar's Digital Dynamite Plan which was initiated during 2000 wherein the Company retains title to the receiver system equipment resulting in the capitalization and depreciation of such equipment over its estimated useful life.

Deferred Debt Issuance Costs and Debt Discount

Costs of issuing debt are deferred and amortized to interest expense over the terms of the respective notes.

Deferred Revenue

Deferred revenue principally consists of prepayments received from subscribers for DISH Network programming. Such amounts are recognized as revenue in the period the programming is provided to the subscriber.

Long-Term Deferred Distribution and Carriage Revenue

Long-term deferred distribution and carriage revenue consists of advance payments from certain content providers for carriage of their signal on the DISH Network. Such amounts are deferred and recognized as revenue on a straight-line basis over the related contract terms (up to ten years).

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Accrued Expenses

Accrued expenses consist of the following (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 2000
Programming	$ 59,769	$ 176,566
Royalties and copyright fees	87,390	106,459
Marketing	88,204	86,861
Interest	78,460	79,957
Advances from News Corporation and MCI for satellite payments	67,804	18,910
Other	102,008	146,940
	$ 483,635	$ 615,693

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs totaled $8 million, $10 million and $17 million for the years ended December 31, 1998, 1999, and 2000, respectively.

Comprehensive Loss

The change in unrealized gain (loss) on available-for-sale securities is the only component of EchoStar's other comprehensive loss. Accumulated other comprehensive loss presented on the accompanying consolidated balance sheets consists of the accumulated net unrealized loss on available-for-sale securities, net of deferred taxes.

Reclassifications

Certain prior year balances in the consolidated financial statements have been reclassified to conform with the 2000 presentation.

3. PROPERTY AND EQUIPMENT

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

	LIFE (IN YEARS)	DECEMBER 31, 1999	DECEMBER 31, 2000
EchoStar I	12	$ 201,607	$ 201,607
EchoStar II	12	228,694	228,694
EchoStar III	12	234,083	234,083
EchoStar IV	4	89,505	89,505
EchoStar V	12	208,578	208,548
EchoStar VI	12	--	243,789
Furniture, fixtures and equipment	2-12	241,527	329,513
Buildings and improvements	7-40	47,745	52,191
Digital Dynamite Plan equipment	4	--	62,726
Tooling and other	2	5,811	5,211
Land	--	1,659	3,336
Vehicles	7	1,119	922
Construction in progress	--	319,308	81,163
Total property and equipment		1,579,636	1,741,288
Accumulated depreciation		(265,629)	(412,107)
Property and equipment, net		$ 1,314,007	$ 1,329,181

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

	DECEMBER 31, 1999	DECEMBER 31, 2000
Progress amounts for satellite construction, launch, and launch insurance:		
EchoStar VI	$ 243,633	$ --
Digital broadcast operations center	47,000	39,797
Other	28,675	41,366
	$ 319,308	$ 81,163

Digital Dynamite Plans

During July 2000, we announced the commencement of our new Digital Dynamite promotion. The Digital Dynamite plans offer four choices to consumers, ranging from the use of one EchoStar receiver system and our America's Top 100 programming package for $35.99 per month, to providing consumers two EchoStar receiver systems and our America's Top 150 programming package for $49.99 per month. With each plan, consumers receive in-home-service, must agree to a one-year commitment and pay $49.99 up front, which includes the first month's programming payment. Since the equipment in the Digital Dynamite plans are owned by us, those equipment costs are capitalized and depreciated over a period of 4 years.

EchoStar III

During the second quarter 2000, two transponder pairs on EchoStar III malfunctioned. Including the three transponder pairs that malfunctioned during 1998, these anomalies have resulted in the failure of a total of ten transponders on the satellite to date. While a maximum of 32 transponders can be operated at any time, the satellite was equipped with a total of 44 transponders to provide redundancy. As a result of this redundancy and because we are only licensed by the FCC to operate 11 transponders at the 61.5 degree orbital location (together with an additional six leased transponders), the transponder anomalies have not resulted in a loss of service to date. The satellite manufacturer, Lockheed Martin, has advised us that it believes it has identified the root cause of the failures, and that while further transponder failures are possible, based upon the root cause and the operating configuration of the satellite, Lockheed Martin does not believe it is likely that the operational capacity of EchoStar III will be reduced below 32 transponders. Lockheed Martin also believes it is unlikely that our ability to operate at least the 11 licensed frequencies, and the six leased transponders, on the satellite will be affected. We will continue to evaluate the performance of EchoStar III and may be required to modify our loss assessment as new events or circumstances develop.

EchoStar V

EchoStar V is equipped with a total of 48 transponders, including 16 spares. Two transponders on the satellite have failed, the most recent loss occurring during July 2000. While the failures have not impacted the operational capacity of the satellite and the satellite manufacturer has advised that the anomalies are probably unrelated, until the root cause of the most recent anomaly is finally determined, there can be no assurance future similar anomalies will not cause further transponder losses which could reduce operational capacity.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Satellite Insurance

As a result of the failure of EchoStar IV solar arrays to fully deploy and the failure of 28 transponders to date, a maximum of approximately 14 of the 44 transponders on EchoStar IV are available for use at this time. Due to the normal degradation of the solar arrays, the number of available transponders will further decrease over time. In addition to the transponder and solar array failures, EchoStar IV experienced anomalies affecting its thermal systems and propulsion system. There can be no assurance that further material degradation, or total loss of use, of EchoStar IV will not occur in the immediate future.

In September 1998, EchoStar filed a $219.3 million insurance claim for a constructive total loss under the launch insurance policies covering EchoStar IV. The satellite insurance consists of separate identical policies with different carriers for varying amounts which, in combination, create a total insured amount of $219.3 million.

The insurance carriers offered EchoStar a total of approximately $88 million, or 40% of the total policy amount, in settlement of the EchoStar IV insurance claim. The insurers allege that all other impairment to the satellite occurred after expiration of the policy period and is not covered. EchoStar strongly disagrees with the position of the insurers and has filed an arbitration claim against them for breach of contract, failure to pay a valid insurance claim and bad faith denial of a valid claim, among other things. There can be no assurance that EchoStar will receive the amount claimed or, if EchoStar does, that EchoStar will retain title to EchoStar IV with its reduced capacity.

At the time EchoStar filed its claim in 1998, EchoStar recognized an impairment loss of $106 million to write-down the carrying value of the satellite and related costs, and simultaneously recorded an insurance claim receivable for the same amount. EchoStar continues to believe it will ultimately recover at least the amount originally recorded and does not intend to adjust the amount of the receivable until there is greater certainty with respect to the amount of the final settlement.

As a result of the thermal and propulsion system anomalies, EchoStar reduced the estimated remaining useful life of EchoStar IV to approximately 4 years during January 2000. This change increased depreciation expense recognized by EchoStar during the year ending December 31, 2000 by approximately $9.6 million. EchoStar will continue to evaluate the performance of EchoStar IV and may modify its loss assessment as new events or circumstances develop.

The in-orbit insurance policies for EchoStar I, EchoStar II, and EchoStar III expired July 25, 2000. The insurers have to date refused to renew insurance on EchoStar I, EchoStar II and EchoStar III on reasonable terms. Based on, among other things, the insurance carriers' unanimous refusal to negotiate reasonable renewal insurance coverage, EchoStar believes that the carriers colluded and conspired to boycott EchoStar unless EchoStar accepts their offer to settle the EchoStar IV claim for $88 million.

Based on the carriers' actions, EchoStar has added causes of action in its EchoStar IV demand for arbitration for breach of the duty of good faith and fair dealing, and unfair claim practices. Additionally, EchoStar has filed a lawsuit against the insurance carriers in the United States District Court for the District of Colorado asserting causes of action for violation of Federal and State Antitrust laws. While EchoStar believes it is entitled to the full amount claimed under the EchoStar IV insurance policy and believes the insurance carriers are in violation of Antitrust laws and have committed further acts of bad faith in connection with their refusal to negotiate reasonable insurance coverage on EchoStar's other satellites, there can be no assurance as to the outcome of these proceedings.

The indentures related to the outstanding senior notes of EDBS contain restrictive covenants that require EchoStar to maintain satellite insurance with respect to at least half of the satellites it owns. Insurance coverage is therefore required for at least three of EchoStar's six satellites currently in orbit. EchoStar has procured normal and customary launch insurance for EchoStar VI. This launch insurance policy provides for insurance of $225.0 million. The EchoStar VI launch insurance policy expires in July 2001. EchoStar is currently self-insuring EchoStar I, EchoStar II, EchoStar III, EchoStar IV and EchoStar V. To satisfy insurance covenants related to the outstanding EDBS senior notes, as of December 31, 2000, EchoStar has reclassified approximately $82 million from cash and cash equivalents to restricted cash and marketable investment securities on its balance sheet. The reclassification will continue until such time, if ever, as the insurers are again willing to insure EchoStar's satellites on commercially reasonable terms.

4. LONG-TERM DEBT

Debt Redemption

Effective July 14, 2000, we redeemed all of our remaining outstanding 12 7/8% Senior Secured Discount Notes Due 2004 (the "1994 Notes"), 13 1/8% Senior Secured Discount Notes due 2004 (the "1996 Notes"), 12 1/2% Senior Secured Notes due 2002 (the "1997 Notes") and 12 1/8% Senior Exchange Notes Due 2004 (the "Exchange Notes") totaling approximately $2.6 million.

9 1/4% Seven and 9 3/8% Ten Year Notes

On January 25, 1999, the Company sold $375 million principal amount of 9 1/4% Senior Notes due 2006 (the 9 1/4% Seven Year Notes) and $1.625 billion principal amount of 9 3/8% Senior Notes due 2009 (the 9 3/8%Ten Year Notes). Interest accrues at annual rates of 9 1/4% and 9 3/8% on the 9 1/4% Seven Year and 9 3/8% Ten Year Notes, respectively. Interest on the 9 1/4% Seven and 9 3/8% Ten Year Notes is payable semi-annually in cash in arrears on February 1 and August 1 of each year, commencing August 1, 1999.

Concurrently with the closing of the 9 1/4% Seven Year Notes and 9 3/8% Ten Year Notes offering, the Company used approximately $1.658 billion of net proceeds received from the sale of the 9 1/4% Seven and 9 3/8% Ten Year Notes to complete tender offers for its outstanding 1994 Notes, 1996 Notes and 1997 Notes. In February 1999, the Company used approximately $268 million of net proceeds received from the sale of the 9 1/4% Seven and 9 3/8% Ten Year Notes to complete the tender offers related to the 12 1/8% Senior Exchange Notes due 2004, issued on January 4, 1999, in exchange for all issued and outstanding 12 1/8% Series B Senior Redeemable Exchangeable Preferred Stock.

With the exception of certain de minimis domestic and foreign subsidiaries, the 9 1/4% Seven and 9 3/8% Ten Year Notes are fully, unconditionally and jointly and severally guaranteed by all subsidiaries of the Company. The 9 1/4% Seven and 9 3/8% Ten Year Notes are general senior unsecured obligations which:

- rank pari passu in right of payment to each other and to all existing and future senior unsecured obligations;

- rank senior to all existing and future junior obligations; and

- are effectively junior to secured obligations to the extent of the collateral securing such obligations, including any borrowings under future secured credit facilities.

Except under certain circumstances requiring prepayment premiums, and in other limited circumstances, the 9 1/4% Seven and 9 3/8% Ten Year Notes are not redeemable at the Company's option prior to February 1, 2003 and February 1, 2004, respectively. Thereafter, the 9 1/4% Seven Year Notes will be subject to redemption, at the option of the Company, in whole or in part, at redemption prices decreasing from 104.625% during the year commencing February 1, 2003 to 100% on or after February 1, 2005, together with accrued and unpaid interest thereon to the redemption date. The 9 3/8% Ten Year Notes will be subject to redemption, at the option of the Company, in whole or in part, at redemption prices decreasing from 104.688% during the year commencing February 1, 2004 to 100% on or after February 1, 2008, together with accrued and unpaid interest thereon to the redemption date.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The indentures related to the 9 1/4% Seven and 9 3/8% Ten Year Notes (the "Seven and Ten Year Notes Indentures") contain restrictive covenants that, among other things, impose limitations on the ability of the Company to:

- incur additional indebtedness;
- apply the proceeds of certain asset sales;
- create, incur or assume liens;
- create dividend and other payment restrictions with respect to the Company's subsidiaries;
- merge, consolidate or sell assets; and
- enter into transactions with affiliates.

In addition, the Company may pay dividends on its equity securities only if no default shall have occurred or is continuing under the Seven and Ten Year Notes Indentures; and after giving effect to such dividend and the incurrence of any indebtedness (the proceeds of which are used to finance the dividend), the Company's ratio of total indebtedness to cash flow (calculated in accordance with the Indentures) would not exceed 8.0 to 1.0. Moreover, the aggregate amount of such dividends generally may not exceed the sum of the difference of cumulative consolidated cash flow (calculated in accordance with the Indentures) minus 120% of consolidated interest expense of the Company (calculated in accordance with the Indentures), in each case from April 1, 1999 plus an amount equal to 100% of the aggregate net cash proceeds received by the Company and its subsidiaries from the issuance or sale of certain equity interests of the Company or EchoStar.

In the event of a change of control, as defined in the Seven and Ten Year Notes Indentures, the Company will be required to make an offer to repurchase all of the 9 1/4% Seven and 9 3/8% Ten Year Notes at a purchase price equal to 101% of the aggregate principal amount thereof, together with accrued and unpaid interest thereon, to the date of repurchase.

Mortgages and Other Notes Payable

Mortgages and other notes payable consists of the following (in thousands):

	DECEMBER 31, 1999	DECEMBER 31, 2000
8.25% note payable for satellite vendor financing for EchoStar I due in equal monthly installments of $722, including interest, through February 2001	$ 9,606	$ 2,137
8.25% note payable for satellite vendor financing for EchoStar II due in equal monthly installments of $562, including interest, through November 2001	11,909	5,930
8.25% note payable for satellite vendor financing for EchoStar III due in equal monthly installments of $294, including interest, through October 2002	8,645	5,978
8.25% note payable for satellite vendor financing for EchoStar IV due upon resolution of satellite insurance claim (Note 3)	9,409	11,327
Mortgages and other unsecured notes payable due in installments through November 2009 with interest rates ranging from 4% to 10%	9,508	5,914
Total	49,077	31,286
Less current portion	(21,017)	(19,642)
Mortgages and other notes payable, net of current portion	$ 28,060	$ 11,644

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Future maturities of the Company's outstanding long-term debt are summarized as follows (in thousands):

	9 1/4% SEVEN YEAR NOTES	9 3/8% TEN YEAR NOTES	RESIDUAL NOTES, MORTGAGES AND OTHER NOTES PAYABLE	TOTAL
YEAR ENDING DECEMBER 31,				
2001	$ --	$ --	$ 19,642	$ 19,642
2002	--	--	6,067	6,067
2003	--	--	1,911	1,911
2004	--	--	655	655
2005	--	--	696	696
Thereafter	375,000	1,625,000	2,315	2,002,315
Total	$ 375,000	$ 1,625,000	$ 31,286	$ 2,031,286

Satellite Vendor Financing

The purchase price for satellites is required to be paid in progress payments, some of which are non-contingent payments that are deferred until after the respective satellites are in orbit (satellite vendor financing). The Company utilized $36 million, $28 million, $14 million and $13 million of satellite vendor financing for EchoStar I, EchoStar II, EchoStar III and EchoStar IV, respectively. The satellite vendor financing with respect to EchoStar I and EchoStar II is secured by substantially all assets of the Company and its subsidiaries (subject to certain restrictions) and a corporate guarantee of ECC. The satellite vendor financings for both EchoStar III and EchoStar IV are secured by an ECC corporate guarantee.

5. INCOME TAXES

As of December 31, 2000, the Company had net operating loss carryforwards ("NOLs") for Federal income tax purposes of approximately $2.110 billion. The NOLs expire beginning in the year 2012. The use of the NOLs is subject to statutory and regulatory limitations regarding changes in ownership. Financial Accounting Standard No. 109, "Accounting for Income Taxes," ("FAS No. 109") requires that the potential future tax benefit of NOLs be recorded as an asset. FAS No. 109 also requires that deferred tax assets and liabilities be recorded for the estimated future tax effects of temporary differences between the tax basis and book value of assets and liabilities. Deferred tax assets are offset by a valuation allowance if deemed necessary.

In 2000, the Company increased its valuation allowance sufficient to fully offset net deferred tax assets arising during the year. Realization of net deferred tax assets is not assured and is principally dependent on generating future taxable income prior to expiration of the NOLs. Management believes existing net deferred tax assets in excess of the valuation allowance will, more likely than not, be realized. The Company continuously reviews the adequacy of its valuation allowance. Future decreases to the valuation allowance will be made only as changed circumstances indicate that it is more likely that not the additional benefits will be realized. Any future adjustments to the valuation allowance will be recognized as a separate component of the Company's provision for income taxes.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The temporary differences that give rise to deferred tax assets and liabilities as of December 31, 1999 and 2000 are as follows (in thousands):

	DECEMBER 31,	
	1999	2000
Current deferred tax assets:		
Accrued royalties	$ 30,018	36,425
Inventory reserves and cost methods	1,355	3,928
Accrued expenses	29,263	37,698
Allowance for doubtful accounts	4,842	7,473
Reserve for warranty costs	78	79
Total current deferred tax assets	65,556	85,603
Current deferred tax liabilities:		
Subscriber acquisition costs and other	(28)	--
Total current deferred tax liabilities	(28)	--
Gross current deferred tax assets	65,528	85,603
Valuation allowance	(54,242)	(72,080)
Net current deferred tax assets	11,286	13,523
Noncurrent deferred tax assets:		
General business and foreign tax credit	2,504	2,504
Net operating loss carryforwards	546,586	794,347
Incentive plan stock compensation	22,273	38,509
Other	9,551	23,934
Total noncurrent deferred tax assets	580,914	859,294
Noncurrent deferred tax liabilities:		
Depreciation	(43,949)	(80,861)
Other	(245)	(1,057)
Total noncurrent deferred tax liabilities	(44,194)	(81,918)
Gross deferred tax assets	536,720	777,376
Valuation allowance	(480,659)	(723,552)
Net noncurrent deferred tax assets	56,061	53,824
Net deferred tax assets	$ 67,347	$ 67,347

The components of the benefit from (provision for) income taxes are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Current benefit (provision):			
Federal	$ --	$ --	$ --
State	6	(46)	(35)
Foreign	(77)	(85)	(90)
	(71)	(131)	(125)
Deferred benefit:			
Federal	97,819	285,724	233,640
State	7,319	27,720	27,091
Increase in valuation allowance	(105,138)	(313,444)	(260,731)
	--	--	--
Total benefit (provision)	$ (71)	$ (131)	$ (125)

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

The actual tax benefit (provision) for 1998, 1999 and 2000 are reconciled to the amounts computed by applying the statutory Federal tax rate to income before taxes as follows:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Statutory rate	35.0%	35.0%	35.0%
State income taxes, net of Federal benefit	1.6	2.3	2.9
Employee stock option exercise and sale	--	--	3.4
Research and development and foreign tax credits	--	--	--
Non-deductible interest expense	(1.3)	(0.3)	
Other	0.4	1.5	1.6
Increase in valuation allowance	(35.7)	(38.5)	(42.9)
Total benefit from income taxes	--%	--%	--%

6. STOCK COMPENSATION PLANS

Stock Incentive Plan

In April 1994, EchoStar adopted a stock incentive plan to provide incentive to attract and retain officers, directors and key employees. EchoStar currently has reserved up to 80 million shares of its Class A common stock for granting awards under its 1995 Stock Incentive Plan and an additional 80 million shares of its Class A common stock for granting awards under its 1999 Stock Incentive Plan. In general, stock options granted through December 31, 2000 have included exercise prices not less than the fair market value of EchoStar's Class A common stock at the date of grant, and vest, as determined by EchoStar's Board of Directors, generally at the rate of 20% per year.

During 1999, EchoStar adopted the 1999 Incentive Plan which provided certain key employees a contingent incentive including stock options and cash. The payment of these incentives was contingent upon the achievement of certain financial and other goals of EchoStar. EchoStar met certain of these goals during 1999. Accordingly, in 1999, EchoStar recorded approximately $179 million of deferred compensation related to post-grant appreciation of options to purchase approximately 4.2 million shares, granted pursuant to the 1999 Incentive Plan. The related deferred compensation will be recognized over the five-year vesting period. During the year ended December 31, 1999 and 2000, the Company recognized $61 million and $51 million, respectively, under the 1999 Incentive Plan. The remainder will be recognized over the remaining vesting period.

Options to purchase an additional 11.2 million shares were granted at fair market value during 1999 pursuant to the Long Term Incentive Plan. Vesting of these options is contingent on meeting certain longer-term goals, the achievement of which can not be reasonably predicted as of December 31, 2000. Accordingly, no compensation was recorded during 1999 and 2000 related to these long-term options. EchoStar will continue to evaluate the likelihood of achieving these long-term goals and will record the related compensation at the time achievement of these goals becomes probable. During 2000, the Board of Directors approved a 2000 Incentive Plan. The payment of these incentives was contingent upon the achievement of certain financial and other goals of EchoStar. EchoStar did not meet any of these goals in 2000. Accordingly, no cash incentives were paid and all stock options granted pursuant to the 2000 Incentive Plan were cancelled.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

A summary of EchoStar's incentive stock option activity for the years ended December 31, 1998, 1999 and 2000 is as follows:

	1998		1999		2000	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Options outstanding, beginning of year	12,196,536	$ 1.88	11,576,120	$ 2.04	27,843,640	$ 6.26
Granted	5,585,080	2.35	20,847,712	7.71	2,942,000	51.56
Exercised	(1,505,456)	1.57	(3,808,114)	1.84	(3,591,209)	3.05
Forfeited	(4,700,040)	2.14	(772,078)	4.92	(2,076,538)	20.78
Options outstanding, end of year	11,576,120	$ 2.04	27,843,640	$ 6.26	25,117,893	$ 10.81
Exercisable at end of year	3,858,424	$ 1.73	2,755,432	$ 1.86	2,911,256	$ 5.49

Exercise prices for options outstanding as of December 31, 2000 are as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AS OF DECEMBER 31, 2000	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AS OF DECEMBER 31, 2000	WEIGHTED-AVERAGE EXERCISE PRICE
$ 1.167 - $ 2.750	4,047,528	5.28	$ 2.20	1,745,520	$ 2.08
3.000 - 3.434	328,788	6.17	3.01	69,228	3.05
5.486 - 6.600	15,350,932*	8.09	6.00	685,908	6.02
10.203 - 19.180	2,331,645	7.61	12.37	312,200	13.16
22.703 - 22.750	293,000	9.20	22.72	34,400	22.70
33.109 - 36.420	1,320,000	7.61	34.36	-	-
48.750 - 52.750	350,000	9.06	49.09	64,000	48.75
60.125 - 79.000	1,096,000	9.43	65.22	-	-
$ 1.1667 - $ 79.000	25,117,893	7.63	$ 10.81	2,911,256	$ 5.49

* This amount includes 10.4 million shares outstanding pursuant to the Long Term Incentive Plan.

Accounting for Stock-Based Compensation

EchoStar has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its stock-based compensation plans. Under APB 25, EchoStar generally does not recognize compensation expense on the issuance of stock under its Stock Incentive Plan because the option terms are typically fixed and typically the exercise price equals the market price of the underlying stock on the date of grant. Certain non-cash stock-based compensation amounts are pushed-down from ECC to the Company and recorded as a deemed capital contribution, with and offsetting entry to deferred compensation. Deferred compensation is recognized over the vesting period of the related stock options.

In October 1995, the Financial Accounting Standards Board issued Financial Accounting Standard No. 123, "Accounting and Disclosure of Stock-Based Compensation," ("FAS No. 123") which established an alternative method of expense recognition for stock-based compensation awards to employees based on fair values. EchoStar elected to not adopt FAS No. 123 for expense recognition purposes.

Pro forma information regarding net income and earnings per share is required by FAS No. 123 and has been determined as if EchoStar had accounted for its stock-based compensation plans using the fair value method

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

prescribed by that statement. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. All options are initially assumed to vest. Compensation previously recognized is reversed to the extent applicable to forfeitures of unvested options. The fair value of each option grant was estimated at the date of the grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
Risk-free interest rate.........................	5.64%	5.38%	6.19%
Volatility factor...............................	67%	76%	98%
Dividend yield..................................	0.00%	0.00%	0.00%
Expected term of options........................	6 years	6 years	6 years
Weighted-average fair value of options granted...	$ 1.51	$ 7.14	$ 30.41

The Company's pro forma net loss was $297 million, $741 million and $579 million for the years ended December 31, 1998, 1999 and 2000, respectively. The pro forma net loss for 1999 and 2000 is less than the loss reported in the statement of operations because of the $61 million and $51 million charge, respectively, for the post-grant appreciation of stock-based compensation, determined under APB 25 and reported by EchoStar, is greater than the amount of stock-based compensation that would have been reported by EchoStar under the provisions of FAS No. 123.

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

7. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

During 1997, EchoStar's Board of Directors and shareholders approved an employee stock purchase plan (the "ESPP"), effective beginning October 1, 1997. Under the ESPP, EchoStar is authorized to issue a total of 800,000 shares of Class A common stock. Substantially all full-time employees who have been employed by EchoStar for at least one calendar quarter are eligible to participate in the ESPP. Employee stock purchases are made through payroll deductions. Under the terms of the ESPP, employees may not deduct an amount which would permit such employee to purchase capital stock of EchoStar under all stock purchase plans of EchoStar at a rate which would exceed $25,000 in fair market value of capital stock in any one year. The purchase price of the stock is 85% of the closing price of the Class A common stock on the last business day of each calendar quarter in which such shares of Class A common stock are deemed sold to an employee under the ESPP. The ESPP shall terminate upon the first to occur of (i) October 1, 2007 or (ii) the date on which the ESPP is terminated by the Board of Directors. During 1998, 1999 and 2000, employees purchased approximately 128,000, 44,000 and 58,000 shares of Class A common stock through the ESPP, respectively.

401(k) Employee Savings Plan

EchoStar sponsors a 401(k) Employee Savings Plan (the "401(k) Plan") for eligible employees. Voluntary employee contributions to the 401(k) Plan may be matched 50% by EchoStar, subject to a maximum annual contribution by EchoStar of $1,000 per employee. EchoStar also may make an annual discretionary contribution to the plan with approval by EchoStar's Board of Directors, subject to the maximum deductible limit provided by the Internal Revenue Code of 1986, as amended. EchoStar's cash contributions to the 401(k) Plan totaled $314,000 in 1998 and 1999, and $1.6 million in 2000. Additionally, during 1998, EchoStar contributed 640,000 shares of its Class A common stock (fair value of approximately $2 million) to the 401(k) Plan related to its 1997 discretionary contribution. During 1999, EchoStar contributed 520,000 shares of its Class A common stock (fair value of approximately $3 million) to the 401(k) Plan related to its 1998 discretionary contribution. During 2000, EchoStar contributed 120,000 shares of its Class A common stock (fair value of approximately $6 million) to the 401(k) Plan related to its 1999 discretionary contribution. EchoStar has not yet determined the amount to be contributed during 2001 relating to its 2000 discretionary contribution.

8. OTHER COMMITMENTS AND CONTINGENCIES

Leases

Future minimum lease payments under noncancelable operating leases as of December 31, 2000, are as follows (in thousands):

YEAR ENDING DECEMBER 31,	
2001	$ 10,627
2002	10,407
2003	9,369
2004	4,032
2005	2,245
Thereafter	4,505
Total minimum lease payments	$ 41,185

Total rental expense for operating leases approximated $1 million in 1998, $3 million in 1999 and $5 million in 2000.

Purchase Commitments

As of December 31, 2000, the Company's purchase commitments totaled approximately $204 million. The majority of these commitments relate to EchoStar receiver systems and related components. All of the purchases related to these commitments are expected to be made during 2001. The Company expects to finance these purchases from existing unrestricted cash balances and future cash flows generated from operations, if any.

VisionStar

During November 2000, one of EchoStar's wholly owned subsidiaries purchased a 49.9% interest in VisionStar, Inc. VisionStar holds an FCC license, and is constructing a Ka-band satellite, to launch into the 113 W.L. orbital slot. Together with VisionStar EchoStar has requested FCC approval to acquire control over VisionStar by increasing its ownership of VisionStar to 90%, for a total purchase price of approximately $2.8 million. EchoStar has also provided loans to VisionStar totaling less than $10 million to date for the construction of their satellite and expect to provide additional funding to VisionStar in the future. EchoStar is not obligated to finance the full remaining cost to construct and launch the VisionStar satellite, but VisionStar's FCC license currently requires construction of the satellite to be completed by April 30, 2002 or the license could be revoked. EchoStar currently expects to continue to fund loans and equity contributions for construction of the satellite in the near term from cash on hand, and expect that it may spend approximately $79.5 million during 2001 for that purpose subject to, among other things, FCC action.

Patents and Intellectual Property

Many entities, including some of EchoStar's competitors, now have and may in the future obtain patents and other intellectual property rights that cover or affect products or services directly or indirectly related to those that EchoStar offers. EchoStar may not be aware of all patents and other intellectual property rights that its products may potentially infringe. Damages in patent infringement cases can include a tripling of actual damages in certain cases. Further, EchoStar cannot estimate the extent to which it may be required in the future to obtain licenses with respect to patents held by others and the availability and cost of any such licenses. Various parties have asserted patent and other intellectual property rights with respect to components within EchoStar's direct broadcast satellite system. EchoStar cannot be certain that these persons do not own the rights they claim, that its products do not infringe on these rights, that it would be able to obtain licenses from these persons on commercially reasonable terms or, if it was unable to obtain such licenses, that it would be able to redesign its products to avoid infringement.

DirecTV

During February 2000 EchoStar filed suit against DirecTV and Thomson Consumer Electronics/RCA in the Federal District Court of Colorado. The suit alleges that DirecTV has utilized improper conduct in order to fend off competition from the DISH Network. According to the complaint, DirecTV has demanded that certain retailers stop displaying EchoStar's merchandise and has threatened to cause economic damage to retailers if they continue to offer both product lines in head-to-head competition. The suit alleges, among other things, that DirecTV has acted in violation of federal and state anti-trust laws in order to protect DirecTV's market share. EchoStar is seeking injunctive relief and monetary damages. On December 8, 2000, EchoStar submitted an Amended Complaint adding claims against Circuit City, Radio Shack and Best Buy, alleging that these retailers are engaging in improper conduct that has had an anti-competitive impact on EchoStar. It is too early in the litigation to make an assessment of the probable outcome. During October 2000, DirecTV filed a motion for summary judgment asking that the Court enter judgment in DirecTV's favor on certain of EchoStar's claims. EchoStar has filed a motion asking the Court to allow it an opportunity to conduct discovery prior to having to substantively respond to DirecTV's motion. DirecTV's motion for summary judgment and EchoStar's motion remain pending.

The DirecTV defendants filed a counterclaim against EchoStar. DirecTV alleges that EchoStar tortuously interfered with a contract that DirecTV allegedly had with Kelly Broadcasting Systems, Inc. ("KBS"). DirecTV alleges that EchoStar "merged" with KBS, in contravention of DirecTV's contract with KBS. DirecTV also alleges that EchoStar has falsely advertised to consumers about its right to offer network programming. DirecTV further alleges that EchoStar improperly used certain marks owned by PrimeStar, now owned by DirecTV. Finally, DirecTV alleges that EchoStar has been marketing National Football League games in a misleading manner. The amount of damages DirecTV is seeking is as yet unquantified. EchoStar intends to vigorously defend against these claims. The case is currently in discovery. It is too early in the litigation to make an assessment of the probable outcome.

Fee Dispute

EchoStar had a contingent fee arrangement with the attorneys who represented EchoStar in the litigation with News Corporation. The contingent fee arrangement provides for the attorneys to be paid a percentage of any net recovery obtained by EchoStar in the News Corporation litigation. The attorneys have asserted that they may be entitled to receive payments totaling hundreds of millions of dollars under this fee arrangement.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

During mid-1999, EchoStar initiated litigation against the attorneys in the Arapahoe County, Colorado, District Court arguing that the fee arrangement is void and unenforceable. In December 1999, the attorneys initiated an arbitration proceeding before the American Arbitration Association. The litigation has been stayed while the arbitration is ongoing. A two week arbitration hearing has been set to begin on April 2, 2001. It is not possible to determine the outcome of arbitration or litigation regarding this fee dispute. EchoStar is vigorously contesting the attorneys' interpretation of the fee arrangement, which EchoStar believes significantly overstates the magnitude of its liability.

WIC Premium Television Ltd.

During July 1998, a lawsuit was filed by WIC Premium Television Ltd., an Alberta corporation, in the Federal Court of Canada Trial Division, against General Instrument Corporation, HBO, Warner Communications, Inc., John Doe, Showtime, United States Satellite Broadcasting Company, Inc., EchoStar Communications Corporation, and two of EchoStar's wholly-owned subsidiaries, EchoSphere Corporation and Dish, Ltd. The lawsuit seeks, among other things, an interim and permanent injunction prohibiting the defendants from activating receivers in Canada and from infringing any copyrights held by WIC. It is too early to determine whether or when any other lawsuits or claims will be filed.

During September 1998, WIC filed another lawsuit in the Court of Queen's Bench of Alberta Judicial District of Edmonton against certain defendants, including EchoStar. WIC is a company authorized to broadcast certain copyrighted work, such as movies and concerts, to residents of Canada. WIC alleges that the defendants engaged in, promoted, and/or allowed satellite dish equipment from the United States to be sold in Canada and to Canadian residents and that some of the defendants allowed and profited from Canadian residents purchasing and viewing subscription television programming that is only authorized for viewing in the United States. The lawsuit seeks, among other things, an interim and permanent injunction prohibiting the defendants from importing hardware into Canada and from activating receivers in Canada, together with damages in excess of $175 million.

EchoStar filed motions to dismiss each of the actions for lack of personal jurisdiction. The Court in the Alberta action recently denied EchoStar's Motion to Dismiss, which EchoStar appealed. The Alberta Court also granted a motion to add more EchoStar parties to the lawsuit. EchoStar Satellite Corporation, EDBS, EchoStar Technologies Corporation, and EchoStar Satellite Broadcast Corporation have been added as defendants in the litigation. The newly added defendants have also challenged jurisdiction. The Court of Appeals denied EchoStar's appeal and the Alberta Court has asserted jurisdiction over all of the EchoStar defendants. The Court in the Federal action has stayed that case pending the outcome of the Alberta action. The case is now currently in discovery. EchoStar intends to vigorously defend the suit. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Broadcast network programming

Until July 1998, EchoStar obtained distant broadcast network channels (ABC, NBC, CBS and FOX) for distribution to its customers through PrimeTime 24. In December 1998, the United States District Court for the Southern District of Florida entered a nationwide permanent injunction requiring PrimeTime 24 to shut off distant network channels to many of its customers, and henceforth to sell those channels to consumers in accordance with certain stipulations in the injunction.

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

In October 1998, EchoStar filed a declaratory judgment action against ABC, NBC, CBS and FOX in Denver Federal Court. EchoStar asked the court to enter a judgment declaring that its method of providing distant network programming did not violate the Satellite Home Viewer Act and hence did not infringe the networks' copyrights. In November 1998, the networks and their affiliate groups filed a complaint against EchoStar in Miami Federal Court alleging, among other things, copyright infringement. The court combined the case that EchoStar filed in Colorado with the case in Miami and transferred it to the Miami court. The case remains pending in Miami. While the networks have not sought monetary damages, they have sought to recover attorney fees if they prevail.

In February 1999, the networks filed a "Motion for Temporary Restraining Order, Preliminary Injunction and Contempt Finding" against DirecTV, Inc. in Miami related to the delivery of distant network channels to DirecTV customers by satellite. DirecTV settled this lawsuit with the networks. Under the terms of the settlement between DirecTV and the networks, some DirecTV customers were scheduled to lose access to their satellite-provided distant network channels by July 31, 1999, while other DirecTV customers were to be disconnected by December 31, 1999. Subsequently, PrimeTime 24 and substantially all providers of satellite-delivered network programming other than EchoStar agreed to this cut-off schedule, although EchoStar does not know if they adhered to this schedule.

In December 1998, the networks filed a Motion for Preliminary Injunction against EchoStar in the Miami court, and asked the court to enjoin EchoStar from providing network programming except under limited circumstances. A preliminary injunction hearing was held on September 21, 1999. The court took the issues under advisement to consider the networks' request for an injunction, whether to hear live testimony before ruling upon the request, and whether to hear argument on why the Satellite Home Viewer Act may be unconstitutional, among other things.

In March 2000, the networks filed an emergency motion again asking the court to issue an injunction requiring EchoStar to turn off network programming to certain of its customers. At that time, the networks also argued that EchoStar's compliance procedures violate the Satellite Home Viewer Improvement Act. EchoStar opposed the networks' motion and again asked the court to hear live testimony before ruling upon the networks' injunction request.

During September 2000, the Court granted the Networks' motion for preliminary injunction, denied the Network's emergency motion and denied EchoStar's request to present live testimony and evidence. The Court's original order required EchoStar to terminate network programming to certain subscribers "no later than February 15, 1999," and contained other dates which would be physically impossible to comply with. The order imposes restrictions on EchoStar's past and future sale of distant ABC, NBC, CBS and Fox channels similar to those imposed on PrimeTime 24 (and, EchoStar believes, on DirecTV and others). Some of those restrictions go beyond the statutory requirements imposed by the Satellite Home Viewer Act and the Satellite Home Viewer Improvement Act. For these and other reasons EchoStar believes the Court's order is, among other things, fundamentally flawed, unconstitutional and should be overturned. However, it is very unusual for a Court of Appeals to overturn a lower court's order and there can be no assurance whatsoever that it will be overturned.

On October 3, 2000, and again on October 25, 2000, the Court amended its original preliminary injunction order in an effort to fix some of the errors in the original order. The twice amended preliminary injunction order required EchoStar to shut off, by February 15, 2001, all subscribers who are ineligible to receive distant network programming under the court's order. EchoStar has appealed the September 2000 preliminary injunction order and the October 3, 2000 amended preliminary injunction order. On November 22, 2000, the United States Court of Appeals for the Eleventh Circuit stayed the Florida Court's preliminary injunction order pending EchoStar's appeal. At that time, the Eleventh Circuit also expedited its consideration of EchoStar's appeal.

During November 2000, EchoStar filed its appeal brief with the Eleventh Circuit. During December 2000, the Satellite Broadcasting and Communications Association submitted an amicus brief in support of EchoStar's appeal. The Consumer Federation of America and the Media Access Project have also submitted an amicus brief in support of EchoStar's appeal. The Networks have responded to EchoStar's appeal brief and the amicus briefs filed by the Consumer Federation of America and the Media Access Project and the Satellite Broadcasting and Communications Association. In December 2000, the Department of Justice filed a motion to intervene with respect to EchoStar's constitutional challenge of the Satellite Home Viewers Act, and the National Association of Broadcasters filed an amicus brief in support of the Networks' position in the appeal. During January 2001, EchoStar filed its reply appeal brief and asked the Eleventh Circuit for an opportunity to respond to the amicus brief filed by the National Association of Broadcasters and the brief filed by the Department of Justice. On January 11, 2001, the Networks advised the Eleventh Circuit that they did not object to EchoStar's filing a response to the National Association of Broadcasters' amicus brief or the Department of Justice's brief. On January 19, 2001, EchoStar filed its supplemental brief responding to the Department of Justice's brief. On January 23, 2001, the Department of Justice filed a motion to strike EchoStar's supplemental brief or for an opportunity to reply to EchoStar's supplemental brief. On February 2, 2001, without explanation, the Eleventh Circuit issued an order striking EchoStar's supplemental reply and denying EchoStar an opportunity to file a response to the Department of Justice's motion to intervene. The Eleventh Circuit has currently set oral argument for May 24, 2001 in Atlanta. EchoStar cannot predict when the Eleventh Circuit will rule on its appeal, but it could be as early as April 2001. EchoStar's appeal effort may not be successful and EchoStar may be required to comply with the Court's preliminary injunction order on short notice. The preliminary injunction could force EchoStar to terminate delivery of distant network channels to a substantial portion of its distant network subscriber base, which could also cause many of these subscribers to cancel their subscription to EchoStar's other services. Such terminations would result in a small reduction in EchoStar's reported average monthly revenue per subscriber and could result in a temporary increase in churn.

Starsight

During October 2000, Starsight Telecast, Inc., a subsidiary of Gemstar-TV Guide, filed a suit for patent infringement against EchoStar and certain of its subsidiaries in the United States District Court for the Western District of North Carolina, Asheville Division. The suit alleges infringement of United States Patent No. 4,706,121 ("the `121 patent") which relates to certain electronic program guide functions. EchoStar has examined this patent and believes that it is not infringed by any of EchoStar's products or services. EchoStar is vigorously contesting the suit and has filed counterclaims challenging both the validity and enforceability of this patent.

In December 2000 EchoStar filed suit against Gemstar - TV Guide International, Inc. (and certain of its subsidiaries) in the United States District Court for the District of Colorado alleging violations by Gemstar of various federal and state anti-trust laws and laws governing unfair competition. The lawsuit seeks an injunction and monetary damages.

In February 2001, Gemstar filed patent infringement actions against EchoStar in District Court in Atlanta, Georgia and in the International Trade commission (ITC). These suits allege infringement of US Patent Nos. 5,252,066, 5,479,268 and 5,809,204 which all relate to certain electronic program guide functions. In addition, the ITC action alleges infringement of the `121 patent which is asserted in the North Carolina case. In the Atlanta District Court case, Gemstar seeks damages and an injunction. Pursuant to Federal law, the Atlanta case can be stayed pending the resolution of the ITC action. It is also possible the North Carolina action will be stayed while the ITC case proceeds. ITC actions typically proceed according to an expedited schedule. EchoStar expects the ITC action to go to trial by the end of 2001 or early in 2002. A final decision should be issued by the ITC by mid-2002. While the ITC cannot award damages, it can issue exclusion orders that would prevent the importation of articles that are found to infringe the asserted patents. In addition, it can issue cease and desist orders that would prohibit the sale of infringing products that had been previously imported. EchoStar has examined these patents and believe they are not infringed by any of our products or services. EchoStar will vigorously contest the ITC and Atlanta allegations of infringement and will, among other things, challenge both the validity and enforceability of the asserted patents.

During 2000, Superguide Corp. also filed suit against EchoStar, DirecTV and others in the North Carolina Court, alleging infringement of United States Patent Nos. 5,038,211, 5,293,357 and 4,751,578 which relate to certain electronic program guide functions, including the use of electronic program guides to control VCRs. It is EchoStar's understanding that these patents may be licensed by Superguide to Gemstar, although Gemstar has not asserted the patents against EchoStar. EchoStar has examined these patents and believes that they are not infringed by any of EchoStar's products or services. EchoStar intends to vigorously defend against this action and assert a variety of counterclaims.

In the event it is ultimately determined that EchoStar infringes on any of aforementioned patents EchoStar may be subject to substantial damages, and/or an injunction that could require EchoStar to materially modify certain user friendly electronic programming guide and related features it currently offers to consumers. It is too early to make an assessment of the probable outcome of either suit.

IPPV Enterprises

IPPV Enterprises, LLC and MAAST, Inc. filed a patent infringement suit against EchoStar in the United States District Court for the District of Delaware. The suit alleges infringement of 5 patents. The patents disclose various systems for the implementation of features such as impulse-pay-per view, parental control and category lock-out. One patent relates to an encryption technique. Three of the patents have expired. EchoStar is vigorously defending against the suit based, among other things, on non-infringement, invalidity and failure to provide notice of alleged infringement.

In the event it is ultimately determined that EchoStar infringes on any of these patents we may be subject to substantial damages, and/or an injunction with respect to the two unexpired patents, that could require EchoStar to materially modify certain user friendly features it currently offer to consumers. It is too early to make an assessment of the probable outcome of either suit.

Retailer Class Actions

EchoStar has been sued by retailers in three separate class actions. In two separate lawsuits, Air Communication & Satellite, Inc. and John DeJong, et. al. filed lawsuits on October 6, 2000 on behalf of themselves and a class of persons similarly situated. The plaintiffs are attempting to certify nationwide classes allegedly brought on behalf of persons, primarily retail dealers, who were alleged signatories to certain retailer agreements with EchoStar Satellite Corporation. The plaintiffs are requesting the Court to declare certain provisions of the alleged agreements invalid and unenforceable, to declare that certain unilateral changes to the agreements are invalid and unenforceable, and to award damages for lost commissions and payments, charge backs, and other compensation. The plaintiffs are alleging breach of contract and breach of the covenant of good faith and fair dealing and are seeking declaratory relief, compensatory damages, injunctive relief, and pre-judgment and post-judgment interest. EchoStar intends to vigorously defend the lawsuit and to assert a variety of counterclaims. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

Satellite Dealers Supply, Inc. filed a lawsuit on September 25, 2000, on behalf of itself and a class of persons similarly situated. The plaintiff is attempting to certify a nationwide class allegedly brought on behalf of sellers, installers, and servicers of equipment used to provide satellite who contract with EchoStar and claims the alleged class has been "subject to improper chargebacks." The plaintiff alleges that (1) EchoStar charged back certain fees paid by members of the class to professional installers in violation of contractual terms; (2) EchoStar manipulated the accounts of subscribers to deny payments to class members; and (3) EchoStar misrepresented to class members who owns certain equipment related to provision of satellite television service. The plaintiff is requesting a permanent injunction and monetary damages. EchoStar intends to vigorously defend the lawsuit and to

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

assert a variety of counterclaims. It is too early to make an assessment of the probable outcome of the litigation or to determine the extent of any potential liability or damages.

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

Meteoroid Events

Meteoroid events pose a potential threat to all in orbit geosynchronous satellites including EchoStar's DBS satellites. While the probability that EchoStar's satellites will be damaged by meteoroids is very small, that probability increases significantly when the Earth passes through the particulate stream left behind by various comets.

Due to the current peak in the 11-year solar cycle, increased solar activity is likely for the next year. Some of these solar storms pose a potential threat to all in-orbit geosynchronous satellites including EchoStar's DBS satellites. The probability that the effects from the storms will damage our satellites or cause service interruptions is generally very small.

Some decommissioned spacecraft are in uncontrolled orbits which pass through the geostationary belt at various points, and present hazards to operational spacecraft including EchoStar's DBS satellites. The locations of these hazards are generally well known and may require EchoStar to perform maneuvers to avoid collisions.

9. FINANCIAL INFORMATION FOR SUBSIDIARY GUARANTORS

With the exception of certain de minimis domestic and foreign subsidiaries (collectively, the "Non-Guarantors"), the 9 1/4% Seven Year Notes and 9 3/8% Ten Year Notes are fully, unconditionally and jointly and severally guaranteed by all subsidiaries of EDBS (collectively, the "Subsidiary Guarantors").

The combined assets, stockholder's equity, net loss and operating cash flows of the Non-Guarantors represent less than 1% of the combined and consolidated assets, stockholder's equity, net loss and operating cash flows of the combined Subsidiary Guarantors for the years ended December 31, 1998, 1999 and 2000. As a result, the Subsidiary Guarantors and Non-Guarantors are combined in the following tables. Consolidating financial information is presented for the following entities (in thousands):

EDBS Parent Company Only (referred to as "EDBS - PC")

Subsidiary Guarantors and Other Subsidiaries

Consolidating and Eliminating Adjustments (referred to as "C&E")

Consolidated EDBS (referred to as "EDBS")

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Balance Sheets - As of December 31, 1999

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 120,133	$ 39,628	$ --	$ 159,761
Marketable investment securities	24,774	--	--	24,774
Trade accounts receivable, net of allowance for uncollectible accounts of $13,109	--	157,944	--	157,944
Insurance receivable	106,000	--	--	106,000
Inventories	--	123,184	--	123,184
Other current assets	598	26,429	--	27,027
Total current assets	251,505	347,185	--	598,690
Property and equipment, net	--	1,314,007	--	1,314,007
FCC authorizations, net	--	722,234	--	722,234
Investment in subsidiaries	573,934	189	(574,123)	--
Other noncurrent assets	28,250	67,026	--	95,276
Total assets	$ 853,689	$ 2,450,641	$ (574,123)	$ 2,730,207
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)				
Current Liabilities:				
Trade accounts payable	$ 2,667	$ 185,036	$ --	$ 187,703
Deferred revenue	--	181,034	--	181,034
Accrued expenses	79,870	403,765	--	483,635
Advances (to) from affiliates, net	(886,749)	1,159,189	--	272,440
Current portion of long-term debt	--	21,017	--	21,017
Total current liabilities	(804,212)	1,950,041	--	1,145,829
Long-term obligations, net of current portion:				
9 1/4% Seven Year Notes	375,000	--	--	375,000
9 3/8% Ten Year Notes	1,625,000	--	--	1,625,000
1994 Notes, 1996 Notes, 1997 Notes, mortgages and other notes payable, net of current portion	2,615	25,445	--	28,060
Long-term deferred distribution and carriage revenue and other long-term liabilities	--	18,812	--	18,812
Total long-term obligations, net of current portion	2,002,615	44,257	--	2,046,872
Total liabilities	1,198,403	1,994,298	--	3,192,701
Stockholder's Equity (Deficit):				
Common Stock, $.01 par value, 3,000 shares authorized, issued and outstanding	--	15,419	(15,419)	--
Additional paid-in capital	1,448,324	1,347,171	(1,347,171)	1,448,324
Deferred stock-based compensation	--	(117,780)	--	(117,780)
Accumulated deficit	(1,793,038)	(788,467)	788,467	(1,793,038)
Total stockholder's equity (deficit)	(344,714)	456,343	(574,123)	(462,494)
Total liabilities and stockholder's equity (deficit)	$ 853,689	$ 2,450,641	$ (574,123)	$ 2,730,207

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Balance Sheets - As of December 31, 2000

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
ASSETS				
Current Assets:				
Cash and cash equivalents	$ (79,319)	$ 170,891	$ --	$ 91,572
Marketable investment securities	4,992	--	--	4,992
Trade accounts receivable, net of allowance for uncollectible accounts of $19,934	--	275,321	--	275,321
Insurance receivable	106,000	--	--	106,000
Inventories	--	159,665	--	159,665
Other current assets	66	25,135	--	25,201
Total current assets	31,739	631,012	--	662,751
Cash reserved for satellite insurance	82,393	--	--	82,393
Property and equipment, net	--	1,329,181	--	1,329,181
FCC authorizations, net	--	709,817	--	709,817
Investment in subsidiaries	278,341	189	(278,530)	--
Other noncurrent assets	24,974	61,275	--	86,249
Total assets	$ 417,447	$ 2,731,474	$ (278,530)	$ 2,870,391
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)				
Current Liabilities:				
Trade accounts payable	$ 58	$ 144,205	$ --	$ 144,263
Deferred revenue	--	282,939	--	282,939
Accrued expenses	80,890	534,803	--	615,693
Advances (to) from affiliates, net	(703,043)	1,461,857	--	758,814
Current portion of long-term debt	--	19,642	--	19,642
Total current liabilities	(622,095)	2,443,446	--	1,821,351
Long-term obligations, net of current portion:				
9 1/4% Seven Year Notes	375,000	--	--	375,000
9 3/8% Ten Year Notes	1,625,000	--	--	1,625,000
1994 Notes, 1996 Notes, 1997 Notes, mortgages and other notes payable, net of current portion	--	11,644	--	11,644
Long-term deferred distribution and carriage revenue and other long-term liabilities	--	56,047	--	56,047
Total long-term obligations, net of current portion	2,000,000	67,691	--	2,067,691
Total liabilities	1,377,905	2,511,137	--	3,889,042
Stockholder's Equity (Deficit):				
Common Stock, $.01 par value, 3,000 shares authorized, issued and outstanding	--	15,405	(15,405)	--
Additional paid-in capital	1,440,252	1,469,059	(1,469,059)	1,440,252
Deferred stock-based compensation	--	(58,193)	--	(58,193)
Accumulated other comprehensive loss	(7)	--	--	(7)
Accumulated deficit	(2,400,703)	(1,205,934)	1,205,934	(2,400,703)
Total stockholder's equity (deficit)	(960,458)	220,337	(278,530)	(1,018,651)
Total liabilities and stockholder's equity (deficit)	$ 417,447	$ 2,731,474	$ (278,530)	$ 2,870,391

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Operations - Year Ended December 31, 1998

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
REVENUE:				
DISH Network:				
Subscription television services	$ --	$ 669,310	$ --	$ 669,310
Other	--	12,799	--	12,799
Total DISH Network	--	682,109	--	682,109
DTH equipment sales and integration services	--	253,841	--	253,841
Satellite services	--	22,304	--	22,304
Other	--	27,655	--	27,655
Total revenue	--	985,909	--	985,909
COSTS AND EXPENSES:				
DISH Network Operating Expenses:				
Subscriber-related expenses	--	298,443	--	298,443
Customer service center and other	--	72,482	--	72,482
Satellite and transmission	--	26,067	--	26,067
Total DISH Network operating expenses	--	396,992	--	396,992
Cost of sales - DTH equipment and integration services	--	174,615	--	174,615
Cost of sales - other	--	16,496	--	16,496
Marketing:				
Subscriber promotion subsidies	--	283,694	--	283,694
Advertising and other	--	47,986	--	47,986
Total marketing expenses	--	331,680	--	331,680
General and administrative	89	94,735	--	94,824
Amortization of subscriber acquisition costs	--	18,819	--	18,819
Depreciation and amortization	4,405	78,933	--	83,338
Total costs and expenses	4,494	1,112,270	--	1,116,764
Operating loss	(4,494)	(126,361)	--	(130,855)
Other Income (Expense):				
Interest income	6,949	3,162	--	10,111
Interest expense, net of amounts capitalized	(39,224)	(133,718)	--	(172,942)
Equity in loss of subsidiaries	(256,906)	--	256,906	--
Other	(700)	82	--	(618)
Total other income (expense)	(289,881)	(130,474)	256,906	(163,449)
Loss before income taxes	(294,375)	(256,835)	256,906	(294,304)
Income tax provision, net	--	(71)	--	(71)
Net loss	$ (294,375)	$ (256,906)	$ 256,906	$ (294,375)

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Operations - Year Ended December 31, 1999

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
REVENUE:				
DISH Network:				
Subscription television services	$ --	$ 1,343,234	$ --	$ 1,343,234
Other	--	10,374	(1,005)	9,369
Total DISH Network	--	1,353,608	(1,005)	1,352,603
DTH equipment sales and integration services	--	178,409	(84)	178,325
Satellite services	--	40,657	--	40,657
Other	500	34,206	--	34,706
Total revenue	500	1,606,880	(1,089)	1,606,291
COSTS AND EXPENSES:				
DISH Network Operating Expenses:				
Subscriber-related expenses	--	580,979	--	580,979
Customer service center and other	--	117,684	(435)	117,249
Satellite and transmission	--	40,083	--	40,083
Total DISH Network operating expenses	--	738,746	(435)	738,311
Cost of sales - DTH equipment and integration services	--	149,541	(14)	149,527
Cost of sales - other	--	17,076	--	17,076
Marketing:				
Subscriber promotion subsidies	--	677,508	19	677,527
Advertising and other	--	65,309	(649)	64,660
Total marketing expenses	--	742,817	(630)	742,187
General and administrative	(424)	142,099	(7)	141,668
Non-cash, stock-based compensation	--	61,060	--	61,060
Depreciation and amortization	2,663	107,371	(3)	110,031
Total costs and expenses	2,239	1,958,710	(1,089)	1,959,860
Operating loss	(1,739)	(351,830)	--	(353,569)
Other Income (Expense):				
Interest income	7,774	4,792	--	12,566
Interest expense	(191,477)	(4,913)	--	(196,390)
Equity in loss of subsidiaries	(376,974)	--	376,974	--
Other	--	(24,892)	--	(24,892)
Total other income (expense)	(560,677)	(25,013)	376,974	(208,716)
Loss before income taxes	(562,416)	(376,843)	376,974	(562,285)
Income tax provision, net	--	(131)	--	(131)
Loss before extraordinary charges	(562,416)	(376,974)	376,974	(562,416)
Extraordinary charge for early retirement of debt, net of tax	-- (228,733)	--	--	(228,733)
Net loss	$ (791,149)	$ (376,974)	$ 376,974	$ (791,149)

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Operations - Year Ended December 31, 2000

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
REVENUE:				
DISH Network:				
Subscription television services	$ --	$ 2,342,358	$ --	$ 2,342,358
Other	--	8,663	(181)	8,482
Total DISH Network	--	2,351,021	(181)	2,350,840
DTH equipment sales and integration services	--	255,936	(11)	255,925
Satellite services	--	53,267	--	53,267
Other	--	48,882	--	48,882
Total revenue	--	2,709,106	(192)	2,708,914
COSTS AND EXPENSES:				
DISH Network Operating Expenses:				
Subscriber-related expenses	--	981,403	--	981,403
Customer service center and other	--	250,854	(182)	250,672
Satellite and transmission	--	36,178	--	36,178
Total DISH Network operating expenses	--	1,268,435	(182)	1,268,253
Cost of sales - DTH equipment and integration services	300	196,606	2	196,908
Cost of sales - other	--	32,978	--	32,978
Marketing:				
Subscriber promotion subsidies	--	1,037,193	24	1,037,217
Advertising and other	--	138,222	(20)	138,202
Total marketing expenses	--	1,175,415	4	1,175,419
General and administrative	56	233,926	(16)	233,966
Non-cash, stock-based compensation	--	51,465	--	51,465
Depreciation and amortization	--	174,607	--	174,607
Total costs and expenses	356	3,133,432	(192)	3,133,596
Operating loss	(356)	(424,326)	--	(424,682)
Other Income (Expense):				
Interest income	2,562	10,504	--	13,066
Interest expense	(190,580)	(3,105)	--	(193,685)
Equity in loss of subsidiaries	(417,483)	--	417,483	--
Other	(1,808)	(431)	--	(2,239)
Total other income (expense)	(607,309)	6,968	417,483	(182,858)
Loss before income taxes	(607,665)	(417,358)	417,483	(607,540)
Income tax provision, net	--	(125)	--	(125)
Net loss	$ (607,665)	$ (417,483)	$ 417,483	$ (607,665)

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Cash Flows - Year Ended December 31, 1998

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (294,375)	$ (256,906)	$ 256,906	$ (294,375)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Equity in losses of subsidiaries	256,906	--	(256,906)	--
Depreciation and amortization	4,405	78,933	--	83,338
Amortization of subscriber acquisition costs	--	18,819	--	18,819
Interest on notes payable to ECC added to principal	--	5,215	--	5,215
Amortization of debt discount and deferred financing costs	2,491	123,233	--	125,724
Change in reserve for excess and obsolete inventory	--	1,341	--	1,341
Change in long-term deferred satellite services revenue and other long-term liabilities	--	13,858	--	13,858
Changes in current assets and current liabilities:				
Trade accounts receivable, net	--	(41,698)	--	(41,698)
Inventories	--	(55,056)	--	(55,056)
Other current assets	82	(11,693)	--	(11,611)
Trade accounts payable	--	21,526	--	21,526
Deferred revenue	--	10,642	--	10,642
Accrued expenses	(661)	68,989	--	68,328
Net cash flows from operating activities	(31,152)	(22,797)	--	(53,949)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of marketable investment securities	--	(8,970)	--	(8,970)
Sales of marketable investment securities	3,906	1,962	--	5,868
Funds released from escrow and restricted cash and marketable investment securities	114,223	2,245	--	116,468
Offering proceeds and investment earnings placed in escrow	(6,343)	--	--	(6,343)
Purchases of property and equipment	(128,280)	(25,233)	--	(153,513)
Other	1	3,149	--	3,150
Net cash flows from investing activities	(16,493)	(26,847)	--	(43,340)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Non-interest bearing advances from affiliates	31,339	45,751	--	77,090
Repayments of mortgage indebtedness and other notes payable	--	(16,552)	--	(16,552)
Net cash flows from financing activities	31,339	29,199	--	60,538
Net increase (decrease) in cash and cash equivalents	(16,306)	(20,445)	--	(36,751)
Cash and cash equivalents, beginning of year	16,405	45,654	--	62,059
Cash and cash equivalents, end of year	$ 99	$ 25,209	$ --	$ 25,308

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Cash Flows - Year Ended December 31, 1999

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (791,149)	$ (376,974)	$ 376,974	$ (791,149)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Equity in losses of subsidiaries	376,974	(189)	(376,785)	--
Extraordinary charge for early retirement of debt	66,910	161,823	--	228,733
Loss on impairment of satellite	--	13,741	--	13,741
Loss on disposal of assets	--	9,846	--	9,846
Deferred stock-based compensation recognized	--	61,060	--	61,060
Depreciation and amortization	2,663	107,372	(4)	110,031
Interest on notes payable to ECC added to principal	--	330	--	330
Amortization of debt discount and deferred financing costs	3,066	10,374	--	13,440
Change in reserve for excess and obsolete inventory	--	(1,301)	--	(1,301)
Change in long-term deferred satellite services revenue and other long-term liabilities	--	10,173	--	10,173
Superstar exclusivity fee	--	(10,000)	--	(10,000)
Changes in current assets and current liabilities:				
Trade accounts receivable, net	--	(50,201)	--	(50,201)
Inventories	--	(45,175)	--	(45,175)
Other current assets	(598)	2,971	--	2,373
Trade accounts payable	2,667	94,474	--	97,141
Deferred revenue	--	48,177	--	48,177
Accrued expenses	9,930	207,982	(185)	217,727
Net cash flows from operating activities	(329,537)	244,483	--	(85,054)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of marketable investment securities	(186,866)	--	--	(186,866)
Sales of marketable investment securities	162,092	7,000	--	169,092
Funds released from escrow and restricted cash and marketable investment securities	77,657	--	--	77,657
Purchases of property and equipment	--	(87,597)	--	(87,597)
Advances and payments under in-orbit satellite contract	--	67,804	--	67,804
Other	--	(1,318)	--	(1,318)
Net cash flows from investing activities	52,883	(14,111)	--	38,772
CASH FLOWS FROM FINANCING ACTIVITIES:				
Non-interest bearing advances from affiliates	(871,231)	1,088,866	--	217,635
Proceeds from issuance of 9 1/4% Seven Year Notes	375,000	--	--	375,000
Proceeds from issuance of 9 3/8% Ten Year Notes	1,625,000	--	--	1,625,000
Debt issuance costs and prepayment premiums	(88,508)	(145,213)	--	(233,721)
Retirement of 1994 Notes	--	(575,674)	--	(575,674)
Retirement of 1996 Notes	--	(501,350)	--	(501,350)
Retirement of 1997 Notes	(374,985)	(3,125)	--	(378,110)
Capital contribution to ECC	(268,588)	--	--	(268,588)
Repayment of note payable to ECC	--	(60,142)	--	(60,142)
Repayments of mortgage indebtedness and other notes payable	--	(22,180)	--	(22,180)
Other	--	2,865	--	2,865
Net cash flows from financing activities	396,688	(215,953)	--	180,735
Net increase (decrease) in cash and cash equivalents	120,034	14,419	--	134,453
Cash and cash equivalents, beginning of year	99	25,209	--	25,308
Cash and cash equivalents, end of year	$ 120,133	$ 39,628	$ --	$ 159,761

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Consolidating Statements of Cash Flows - Year Ended December 31, 2000

	EDBS - PC	SUBSIDIARY GUARANTORS AND OTHER	C&E	EDBS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (607,665)	$ (417,483)	$ 417,483	$ (607,665)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Equity in losses of subsidiaries	417,483	--	(417,483)	--
Loss on disposal of assets	--	1,374	--	1,374
Deferred stock-based compensation (forfeitures) recognized	(8,072)	59,537	--	51,465
Depreciation and amortization	--	173,233	--	173,233
Amortization of debt discount and deferred financing costs	3,276	4	--	3,280
Change in reserve for excess and obsolete inventory	--	5,962	--	5,962
Change in long-term deferred satellite services revenue and other long-term liabilities	--	37,236	--	37,236
Superstar exclusivity fee	--	3,611	--	3,611
Other, net	--	(435)	--	(435)
Changes in current assets and current liabilities:				
Trade accounts receivable, net	--	(117,377)	--	(117,377)
Inventories	--	(41,160)	--	(41,160)
Other current assets	532	3,530	--	4,062
Trade accounts payable	(2,609)	(40,831)	--	(43,440)
Deferred revenue	--	101,905	--	101,905
Accrued expenses	1,020	176,982	--	178,002
Net cash flows from operating activities	(196,035)	(53,912)	--	(249,947)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Sales of marketable investment securities	19,775	--	--	19,775
Cash reserved for satellite insurance	(82,393)	--	--	(82,393)
Purchases of property and equipment	--	(175,313)	--	(175,313)
Advances and payments under in-orbit satellite contract	--	(48,894)	--	(48,894)
Net cash flows from investing activities	(62,618)	(224,207)	--	(286,825)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Non-interest bearing advances from affiliates	61,816	424,558	--	486,374
Repayments of mortgage indebtedness and other notes payable	--	(15,176)	--	(15,176)
Other	(2,615)	--	--	(2,615)
Net cash flows from financing activities	59,201	409,382	--	468,583
Net increase (decrease) in cash and cash equivalents	(199,452)	131,263	--	(68,189)
Cash and cash equivalents, beginning of year	120,133	39,628	--	159,761
Cash and cash equivalents, end of year	$ (79,319)	$ 170,891	$ --	$ 91,572

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

10. SEGMENT REPORTING

Financial Data by Business Unit (in thousands)

Statement of Financial Accounting Standard No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("FAS No. 131") establishes standards for reporting information about operating segments in annual financial statements of public business enterprises and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of an enterprise about which separate financial information is available and regularly evaluated by the chief operating decision maker(s) of an enterprise. Under this definition, we are currently operating as three separate business units.

	DISH NETWORK	ETC	SATELLITE SERVICES	ELIMINATIONS AND OTHER	ECHOSTAR CONSOLIDATED TOTAL	OTHER ECHOSTAR ACTIVITY	EDBS AND SUBSIDIARIES
YEAR ENDED DECEMBER 31, 1998							
Revenue	$ 733,382	$ 251,958	$ 23,442	$ (26,116)	$ 982,666	$ 3,243	$ 985,909
Depreciation and amortization ..	85,107	2,097	26	15,406	102,636	(479)	102,157
Total expenses	871,269	193,852	3,495	36,941	1,105,557	11,207	1,116,764
EBITDA	(52,781)	60,202	19,973	(47,649)	(20,255)	(8,443)	(28,698)
Interest income	9,280	--	2	21,004	30,286	(20,175)	10,111
Interest expense, net of amount capitalized	49,042	282	--	118,205	167,529	5,413	172,942
Income tax provision, net	17	(11)	--	(50)	(44)	(27)	(71)
Net income (loss)	(199,356)	30,333	18,409	(110,268)	(260,882)	(33,493)	(294,375)
YEAR ENDED DECEMBER 31, 1999							
Revenue	$ 1,373,789	$ 160,276	$ 47,312	$ 21,464	$ 1,602,841	$ 3,450	$ 1,606,291
Depreciation and amortization ..	97,899	4,434	193	10,702	113,228	(3,197)	110,031
Total expenses	1,622,928	165,238	15,956	145,810	1,949,932	9,928	1,959,860
EBITDA	(151,241)	(528)	31,549	(52,733)	(172,953)	(9,675)	(182,628)
Interest income	26,205	1	375	(402)	26,179	(13,613)	12,566
Interest expense, net of amounts capitalized	(201,356)	(253)	--	(4)	(201,613)	5,223	(196,390)
Income tax benefit (provision), net	--	(46)	--	(108)	(154)	23	(131)
Net loss	(1,949,914)	(31,884)	27,273	1,161,678	(792,847)	1,698	(791,149)
YEAR ENDED DECEMBER 31, 2000							
Revenue	$ 2,407,554	$ 207,945	$ 55,028	$ 44,693	$ 2,715,220	$ (6,306)	$ 2,708,914
Depreciation and amortization ..	160,910	5,338	121	18,987	185,356	(10,749)	174,607
Total expenses	2,746,000	197,073	(1,695)	197,908	3,139,286	(5,690)	3,133,596
EBITDA	(177,535)	16,210	56,844	(82,764)	(187,245)	(11,365)	(198,610)
Interest income	79,724	--	220	(211)	79,733	(66,667)	13,066
Interest expense, net of amounts capitalized	(267,650)	(233)	--	(107)	(267,990)	74,305	(193,685)
Income tax benefit (provision), net	(48)	(32)	--	(475)	(555)	430	(125)
Net income (loss)	(775,581)	(155)	52,964	101,561	(621,211)	13,546	(607,665)

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Geographic Information (in thousands)

	UNITED STATES	EUROPE	TOTAL
1998			
Total revenue*....................	$ 967,746	$ 18,163	$ 985,909
Long-lived assets.................	955,586	1,498	957,084
1999			
Total revenue*....................	$ 1,583,442	$ 22,849	$ 1,606,291
Long-lived assets.................	2,033,142	3,099	2,036,241
2000			
Total revenue*....................	$ 2,660,827	$ 48,087	$ 2,708,914
Long-lived assets.................	2,035,452	3,546	2,038,998

* Revenues are attributed to geographic regions based upon the location from which the sale originated.

Transactions with Major Customers

During the years ended December 31, 1998, 1999 and 2000, export sales to two customers together totaled $210 million, $126 million and $187 million, respectively. These export sales accounted for approximately 21%, 8% and 7% of the Company's total revenue during each of the three years ended December 31, 1998, 1999 and 2000, respectively. Revenues from these customers are included within the EchoStar Technologies Corporation business unit.

11. VALUATION AND QUALIFYING ACCOUNTS

The Company's valuation and qualifying accounts as of December 31, 1998, 1999 and 2000 are as follows (in thousands):

	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	BALANCE AT END OF YEAR
YEAR ENDED DECEMBER 31, 1998:				
Assets:				
Allowance for doubtful accounts	$ 1,347	$ 10,692	$ (9,043)	$ 2,996
Loan loss reserve	61	31	(92)	--
Reserve for inventory	3,840	1,744	(403)	5,181
Liabilities:				
Reserve for warranty costs and other	710	--	(435)	275
YEAR ENDED DECEMBER 31, 1999:				
Assets:				
Allowance for doubtful accounts	$ 2,996	$ 23,481	$ (13,368)	$ 13,109
Reserve for inventory	5,181	1,718	(3,019)	3,880
Liabilities:				
Reserve for warranty costs and other	275	--	(65)	210
YEAR ENDED DECEMBER 31, 2000:				
Assets:				
Allowance for doubtful accounts	$ 13,109	$ 45,091	$ (38,266)	$ 19,934
Reserve for inventory	3,880	6,357	(395)	9,842
Liabilities:				
Reserve for warranty costs and other	210	--	--	210

ECHOSTAR DBS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

12. QUARTERLY FINANCIAL DATA (UNAUDITED)

The Company's quarterly unaudited results of operations are summarized as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(Unaudited)			
Year Ended December 31, 1999:				
Total revenue	$ 310,335	$ 350,445	$ 431,259	$ 514,252
Operating loss	(57,437)	(53,285)	(79,623)	(163,224)
Net loss	(333,317)	(105,936)	(126,532)	(225,364)
Year Ended December 31, 2000:				
Total revenue	$ 568,058	$ 642,199	$ 694,227	$ 804,430
Operating loss	(145,456)	(90,115)	(82,717)	(106,394)
Net loss	(191,183)	(137,931)	(128,563)	(149,988)

13. SUBSEQUENT EVENTS

During February 2001, EchoStar announced an agreement with Lockheed Martin's International Launch Services to provide launch services for the EchoStar VII and EchoStar VIII satellites, which also includes options for launch services for additional satellites. EchoStar VII is expected to launch in the fourth quarter of 2001 on a Lockheed Martin Atlas III launch vehicle from Cape Canaveral, Fla. EchoStar VIII is expected to launch during the first quarter of 2002 on a Russian Proton K launch vehicle from the Baikonur Cosmodrome in Kazakhstan.