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

Form 8-K

**CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) : January 1, 2008

ECHOSTAR DBS CORPORATION

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction of
incorporation)

333-31929
(Commission File Number)

84-1328967
(IRS Employer
Identification No.)

9601 S. MERIDIAN BLVD.
ENGLEWOOD, COLORADO
(Address of principal executive offices)

80112
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

On January 1, 2008 (the “Distribution Date”), EchoStar Communications Corporation (“ECC” or the “Company”) completed the distribution of all of the outstanding shares of common stock of EchoStar Holding Corporation (“EHC”) to the stockholders of ECC in a spin-off (the “Spin-Off”) intended to qualify for tax-free treatment. ECC retains its pay-TV business, DISH Network, and EHC holds the digital set-top box business, certain satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities formerly held by ECC. Shares of Class A common stock of ECC will continue to trade under the symbol “DISH” on the NASDAQ Global Select Market. ECC also intends to change its name to “DISH Network Corporation.”

In connection with the Spin-Off, the Company entered into certain agreements with EHC to effect the Spin-Off and to define responsibility for obligations arising before and after the Distribution Date, including, among others, obligations relating to set-top box sales, transition services, taxes, employees and intellectual property. Information regarding the material agreements is summarized below.

Separation Agreement

Immediately prior to the distribution, the Company entered into a separation agreement with EHC which provides, among other things, for the contribution to EHC of the Company’s set-top box business and the other assets to be transferred to EHC in the Spin-Off (the “Contributed Assets”), the distribution of shares of EHC’s common stock to the Company’s shareholders and other matters related to EHC’s relationship with the Company. Except as expressly set forth in the separation agreement, the contribution of the Contributed Assets was made on an “as is,” “where is” basis, and EHC will bear the economic and legal risk of the contribution. As part of the contribution, EHC has assumed and agreed to perform and fulfill all of the liabilities (including contingent liabilities) related to the Contributed Assets in accordance with their respective terms, including the intellectual property liabilities relating to the Contributed Assets for acts or events occurring on or before the Distribution Date except for certain liabilities to be retained by the Company. Except as expressly set forth in the separation agreement, the Company has not made any representation or warranty as to the assets or liabilities transferred or assumed as part of the contribution, or as to any consents which may be required in connection with the transfers. As part of the separation agreement, the Company and EHC have also agreed to provide one another with information reasonably necessary to comply with reporting, disclosure or filing requirements of governmental authorities, for use in judicial, regulatory, administrative and other proceedings and to satisfy audit, accounting, claims, litigation or similar requests, whether business or legal related.

Employee Matters Agreement

Immediately prior to the distribution, the Company entered into an employee matters agreement with EHC, providing for each company’s respective obligations to its employees. Pursuant to the agreement, EHC established a defined contribution plan for the benefit of EHC’s eligible employees in the United States. In addition, EHC has established welfare plans for the benefit of EHC’s eligible employees and their respective eligible dependents that are substantially similar to the welfare plans currently maintained by the Company. EHC has also established stock incentive plans and an employee stock purchase plan. There are no payments expected under the employee matters agreement except for the reimbursement of certain expenses in connection with these employee benefit plans and potential indemnification payments in accordance with the separation agreement. The employee matters agreement is non-terminable and will survive for the applicable statute of limitations. The employee matters agreement also addresses the treatment of ECC stock options and restricted stock unit awards in connection with the Spin-Off.

Intellectual Property Matters Agreement

Immediately prior to the distribution, EHC entered into an intellectual property matters agreement with the Company and certain of its subsidiaries. The intellectual property matters agreement governs the Company’s relationship with EHC with respect to patents, trademarks and other intellectual property. Pursuant to the intellectual property matters agreement, the Company and certain of its subsidiaries will irrevocably assign to EHC all right, title and interest in certain patents, trademarks and other intellectual property necessary for the operation of EHC’s set-top box business. In addition, the agreement will permit EHC to use, in the operation of its set-top box business, certain other intellectual property currently owned or licensed by the Company and its subsidiaries.

EHC will grant to the Company and its subsidiaries a non-exclusive, non-transferable, worldwide license to use the name “EchoStar” and a portion of the assigned intellectual properties as trade names and trademarks for a limited period of time in connection with the Company’s continued operation of the consumer business. The purpose of such license is to eliminate confusion on the part of customers and others during the period following the Spin-Off. After the transitional period, the Company and its subsidiaries may not use the “EchoStar” name as trademarks. Similarly, the intellectual property matters agreement will provide that EHC will not make any use of the name or

trademark “DISH Network” or any other trademark owned by the Company or its subsidiaries. There are no payments expected under the intellectual property matters agreement and it will continue in perpetuity.

Management Services Agreement

Immediately prior to the distribution, the Company entered into a management services agreement with EHC pursuant to which the Company will make certain of its officers available to provide services (which are primarily legal and accounting services) to EHC. Specifically, Bernard L. Han, R. Stanton Dodge and Paul W. Orban will remain employed by the Company, but will serve as EHC’s Executive Vice President and Chief Financial Officer, Executive Vice President and General Counsel, and Senior Vice President and Controller, respectively. In addition, Carl E. Vogel will remain employed by the Company but will provide services to EHC as an advisor. EHC will make payments to the Company based upon an allocable portion of the personnel costs and expenses incurred by the Company with respect to such officers (taking into account wages and fringe benefits). These allocations will be based upon the anticipated percentages of time to be spent by ECC officers performing services for EHC under the management services agreement. EHC will also reimburse the Company for direct out-of-pocket costs incurred by the Company for management services provided to EHC. The Company and EHC will evaluate all charges for reasonableness at least annually and make any adjustments to these charges as the Company and EHC mutually agree upon.

The management services agreement will continue in effect until January 1, 2009, and will be renewed automatically for successive one-year periods thereafter, unless earlier terminated (1) by EHC at any time upon at least 30 days’ prior written notice, (2) by the Company at the end of any renewal term, upon at least 180 days’ prior notice; and (3) by the Company upon written notice to EHC, following certain changes in control.

Tax Sharing Agreement

Immediately prior to the distribution, the Company entered into a tax sharing agreement with EHC which will govern the Company’s and EHC’s respective rights, responsibilities and obligations after the Spin-Off with respect to taxes for the periods ending on or before the Spin-Off. Generally, all pre-Spin-Off taxes, including any taxes that are incurred as a result of restructuring activities undertaken to implement the Spin-Off, will be borne by the Company, and the Company will indemnify EHC for such taxes. However, the Company will not be liable for and will not indemnify EHC for any taxes that are incurred as a result of the Spin-Off or certain related transactions failing to qualify as tax-free distributions pursuant to any provision of Section 355 or Section 361 of the Internal Revenue Code of 1986, as amended, because of (i) a direct or indirect acquisition of any of EHC’s stock, stock options or assets (ii) any action that EHC takes or fails to take or (iii) any action that EHC takes that is inconsistent with the information and representations furnished to the IRS in connection with the request for the private letter ruling, or to counsel in connection with any opinion being delivered by counsel with respect to the spin-off or certain related transactions. In such case, EHC will be solely liable for, and will indemnify the Company for, any resulting taxes, as well as any losses, claims and expenses. The tax sharing agreement will only terminate after the later of the full period of all applicable statutes of limitations including extensions or once all rights and obligations are fully effectuated or performed.

Transition Services Agreement

Immediately prior to the distribution, the Company entered into a transition services agreement with EHC pursuant to which the Company, or one of its subsidiaries, will provide certain transition services to EHC. Under such transition services agreement, EHC will have the right, but not the obligation, to receive the following services from the Company or one of its subsidiaries: finance, information technology, benefits administration, travel and event coordination, human resources, human resources development (training), program management, internal audit and corporate quality, legal, accounting and tax, and other support services.

The transition services agreement has a term of two years and the fees for the services provided under such agreement will be cost plus an additional amount that is equal to an agreed percentage of the Company’s cost, which will vary depending on the nature of the services provided. EHC may terminate the transition services agreement with respect to a particular service for any reason upon thirty days prior written notice. This limited-term agreement is designed to smooth EHC’s transition to a stand-alone public company.

Item 2.01. Completion of Acquisition or Disposition of Assets

The information included in Item 1.01 of this Current Report on Form 8-K is incorporated herein by reference into this Item 2.01.

Item 9.01 Financial Statements and Exhibits**(b) Pro Forma Financial Information**

The pro forma financial information specified in Article 11 of Regulation S-X is filed as Exhibit 99.1 hereto.

(d) Exhibits.

Exhibit Number	Description
99.1	Pro Forma Financial Information of EchoStar DBS Corporation.
99.2	Separation Agreement between EchoStar Holding Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 2.1 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)
99.3	Transition Services Agreement between EchoStar Holding Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 10.1 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)
99.4	Tax Sharing Agreement between EchoStar Holding Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 10.2 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)
99.5	Employee Matters Agreement between EchoStar Holding Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 10.3 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)
99.6	Intellectual Property Matters Agreement between EchoStar Holding Corporation, EchoStar Acquisition L.L.C., Echosphere L.L.C., EchoStar DBS Corporation, EIC Spain SL, EchoStar Technologies Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 10.4 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)
99.7	Management Services Agreement between EchoStar Holding Corporation and EchoStar Communications Corporation (Incorporated by reference from Exhibit 10.5 to the Form 10 (File No. 001-33807) of EchoStar Holding Corporation)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

ECHOSTAR DBS CORPORATION

Date: January 7, 2008

By: /s/ R. Stanton Dodge
R. Stanton Dodge
Executive Vice President, General Counsel and Secretary

EXHIBIT INDEX

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ECHOSTAR DBS CORPORATION
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

EchoStar DBS Corporation (“EDBS,” “we,” “us” and/or “our”) is a wholly-owned subsidiary of EchoStar Communications Corporation (“ECC”), a publicly traded company listed on the Nasdaq Global Select Market. Effective January 1, 2008, ECC completed its separation into two companies: ECC, which retains its pay-TV business, DISH Network, and EchoStar Holding Corporation, or EHC, which holds the digital set-top box business, certain satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities formerly held by ECC. Effective on or after January 20, 2008, ECC intends to change its name to “DISH Network Corporation.” In connection with the separation, each shareholder of ECC received for each share of common stock held, 0.20 of a share of the same class of common stock of EHC. Also, in connection with the separation, ECC contributed \$1.0 billion in cash to EHC. EHC’s Class A shares began trading on the Nasdaq Global Select Market on January 2, 2008.

The unaudited pro forma condensed consolidated financial statements reported below consist of unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2007 and for the year ended December 31, 2006 and an unaudited pro forma condensed consolidated balance sheet as of September 30, 2007. The unaudited pro forma condensed consolidated financial statements were derived from our historical consolidated financial statements and give effect to the separation of ECC and EHC. The unaudited pro forma condensed consolidated financial statements and accompanying notes should be read together with our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2007 and our Annual Report on Form 10-K for the year ended December 31, 2006.

The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2007 and the year ended December 31, 2006 present our results of operations assuming the separation had been completed as of January 1, 2006. The unaudited pro forma condensed consolidated balance sheet as of September 30, 2007 presents our consolidated financial position assuming that the separation had been completed on that date. The unaudited pro forma condensed consolidated financial statements give effect to the following:

- the distribution of the digital set-top box business, certain satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities to EHC;
- the results of operations and other expenses, including depreciation expenses, related to the digital set-top box business, certain satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities contributed to EHC;
- the impact of the transition services and commercial agreements between ECC and EHC;
- the distribution of shares of EHC common stock to ECC’s stockholders, on a pro rata basis and other adjustments resulting from the separation; and
- the impact of the \$1.0 billion in cash that we distributed to EHC.

ECC believes the assumptions used and pro forma adjustments derived from such assumptions, are reasonable under the circumstances and are based upon currently available information.

These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of our results of operations or financial condition had the separation been completed on the dates assumed. Additionally, these statements are not necessarily indicative of our future results of operations or financial condition.

ECHOSTAR DBS CORPORATION
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2006
(In thousands, except per share data)
(Unaudited)

		Pro Forma Adjustments			
	EDBS Historical	Activity of Businesses and Assets Distributed		Other Adjustments	EDBS Pro Forma
Revenue:					
Subscriber-related	\$ 9,375,516	\$ —		\$ —	\$ 9,375,516
Other	437,231	(242,415)	(a)	65,318	(h) 260,134
Total revenue	<u>9,812,747</u>	<u>(242,415)</u>		<u>65,318</u>	<u>9,635,650</u>
Costs and Expenses:					
Subscriber-related expenses (exclusive of depreciation (b))	4,822,310	—		11,094	(i) 4,833,404
Satellite and transmission expenses (exclusive of depreciation (b))	144,931	293		185,108	(j) 330,332
Cost of sales — other	290,046	(148,348)	(c)	66,039	(k) 207,737
Subscriber acquisition costs	1,600,912	—		18,265	(l) 1,619,177
General and administrative	539,630	(121,811)	(d)	16,111	(m) 433,930
Litigation expense	93,969	—		—	93,969
Depreciation and amortization (b)	1,110,385	(235,351)	(e)	17,725	(n) 892,759
Total costs and expenses	<u>8,602,183</u>	<u>(505,217)</u>		<u>314,342</u>	<u>8,411,308</u>
Operating income (loss)	<u>1,210,564</u>	<u>262,802</u>		<u>(249,024)</u>	<u>1,224,342</u>
Other Income (Expense):					
Interest income	121,873	(52,705)	(f)	—	69,168
Interest expense, net of amounts capitalized	(389,993)	37,705	(g)	—	(352,288)
Other	(7,923)	3,085		—	(4,838)
Total other income (expense)	<u>(276,043)</u>	<u>(11,915)</u>		<u>—</u>	<u>(287,958)</u>
Income (loss) before income taxes	934,521	250,887		(249,024)	936,384
Income tax (provision) benefit, net	(333,464)	—	(o)	(16,171)	(o) (349,635)
Net income (loss)	<u>\$ 601,057</u>	<u>\$ 250,887</u>		<u>\$ (265,195)</u>	<u>\$ 586,749</u>

See accompanying notes to pro forma condensed consolidated financial statements.

ECHOSTAR DBS CORPORATION
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
For the Nine Months Ended September 30, 2007
(In thousands, except per share data)
(Unaudited)

		Pro Forma Adjustments			
	EDBS Historical	Activity of Businesses and Assets Distributed		Other Adjustments	EDBS Pro Forma
Revenue:					
Subscriber-related	\$ 7,914,076	\$ —		\$ —	\$ 7,914,076
Other	270,869	(176,445)	(a)	60,170	154,594
Total revenue	<u>8,184,945</u>	<u>(176,445)</u>		<u>60,170</u>	<u>8,068,670</u>
Costs and Expenses:					
Subscriber-related expenses (exclusive of depreciation (b))	4,061,150	—		7,764	(i) 4,068,914
Satellite and transmission expenses (exclusive of depreciation (b))	125,301	152		118,568	(j) 244,021
Cost of sales — other	189,952	(98,675)	(c)	60,625	(k) 151,902
Subscriber acquisition costs	1,182,379	—		11,858	(l) 1,194,237
General and administrative	440,216	(99,927)	(d)	12,417	(m) 352,706
Depreciation and amortization (b)	1,005,411	(172,930)	(e)	39,336	(n) 871,817
Total costs and expenses	<u>7,004,409</u>	<u>(371,380)</u>		<u>250,568</u>	<u>6,883,597</u>
Operating income (loss)	<u>1,180,536</u>	<u>194,935</u>		<u>(190,398)</u>	<u>1,185,073</u>
Other Income (Expense):					
Interest income	75,918	(45,345)	(f)	—	30,573
Interest expense, net of amounts capitalized	(280,298)	26,320	(g)	—	(253,978)
Other	(848)	7,481		—	6,633
Total other income (expense)	<u>(205,228)</u>	<u>(11,544)</u>		<u>—</u>	<u>(216,772)</u>
Income (loss) before income taxes	975,308	183,391		(190,398)	968,301
Income tax (provision) benefit, net	(365,187)	—	(o)	(4,851)	(o) (370,038)
Net income (loss)	<u>\$ 610,121</u>	<u>\$ 183,391</u>		<u>\$ (195,249)</u>	<u>\$ 598,263</u>

See accompanying notes to pro forma condensed consolidated financial statements.

ECHOSTAR DBS CORPORATION
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of September 30, 2007
(In thousands, except per share data)
(Unaudited)

	Pro Forma Adjustments			
	EDBS Historical	Businesses and Assets Distributed (p)	Other Adjustments	EDBS Pro Forma
ASSETS				
<i>Current Assets:</i>				
Cash and cash equivalents	\$ 1,544,047	\$ (1,021,816)	\$ —	\$ 522,231
Marketable investment securities	681,354	—	—	681,354
Trade accounts receivable net of allowance for doubtful accounts	699,183	(39,359)	—	659,824
Advances to affiliates	40,866	—	—	40,866
Inventories, net	341,405	(5,443)	—	335,962
Current deferred tax assets	45,408	(8,409)	23,727 (q)	60,726
Other current assets	148,034	(12,811)	—	135,223
Total current assets	3,500,297	(1,087,838)	23,727	2,436,186
Restricted cash and marketable investment securities	154,506	(3,150)	—	151,356
Property and equipment, net	3,493,972	(1,219,258)	—	2,274,714
FCC authorizations	705,228	(83,121)	—	622,107
Intangible assets, net	159,422	(158,360)	—	1,062
Other noncurrent assets, net	173,996	(21,354)	—	152,642
Total assets	<u>\$ 8,187,421</u>	<u>\$ (2,573,081)</u>	<u>\$ 23,727</u>	<u>\$ 5,638,067</u>
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)				
<i>Current Liabilities:</i>				
Trade accounts payable	\$ 314,506	\$ (2,813)	\$ —	\$ 311,693
Advances from affiliates	46,567	—	—	46,567
Deferred revenue and other	837,531	—	—	837,531
Accrued programming	930,550	—	—	930,550
Income taxes payable	191,757	—	(81,727) (q)	110,030
Other accrued expenses	517,273	(22,930)	—	494,343
Current portion of capital lease obligations, mortgages and other notes payable	47,865	(38,136)	—	9,729
Total current liabilities	<u>2,886,049</u>	<u>(63,879)</u>	<u>(81,727)</u>	<u>2,740,443</u>
<i>Long-term obligations, net of current portion:</i>				
Long-term debt	5,000,000	—	—	5,000,000
Capital lease obligations, mortgages and other notes payable, net of current portion	560,503	(349,283)	—	211,220
Deferred tax liabilities	138,312	(186,406)	129,289 (q)	81,195
Long-term deferred revenue, distribution and carriage payments and other long-term liabilities	259,582	(11,789)	—	247,793
Total long-term obligations, net of current portion	<u>5,958,397</u>	<u>(547,478)</u>	<u>129,289</u>	<u>5,540,208</u>
Total liabilities	<u>8,844,446</u>	<u>(611,357)</u>	<u>47,562</u>	<u>8,280,651</u>
<i>Stockholder's Equity (Deficit):</i>				
Common stock, \$.01 par value, 1,000,000 shares authorized, 1,015 shares issued and outstanding	—	—	—	—
Additional paid-in capital	1,052,500	—	—	1,052,500
Accumulated other comprehensive income (loss)	(80)	(527)	—	(607)
Accumulated earnings (deficit)	(1,709,445)	(1,961,197)	(23,835) (q)	(3,694,477)
Total stockholder's equity (deficit)	<u>(657,025)</u>	<u>(1,961,724)</u>	<u>(23,835)</u>	<u>(2,642,584)</u>
Total liabilities and stockholder's equity (deficit)	<u>\$ 8,187,421</u>	<u>\$ (2,573,081)</u>	<u>\$ 23,727</u>	<u>\$ 5,638,067</u>

See accompanying notes to pro forma condensed consolidated financial statements.

ECHOSTAR DBS CORPORATION
NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Adjustments to Unaudited Pro Forma Condensed Consolidated Statements of Operations:

The pro forma adjustments on the condensed consolidated statements of operations for the spin-off represent the following:

- (a) Represents revenue on digital set-top boxes and accessories and fixed satellite services sold to third-parties related to the activities of the businesses and assets distributed.
- (b) The amounts do not include depreciation and amortization expense. "EDBS Pro Forma" depreciation and amortization expense consists of the following:

	For the Nine Months Ended September 30, 2007	For the Year Ended December 31, 2006
	(In thousands)	
Equipment leased to customers	\$ 691,558	\$ 703,850
Satellites	80,129	92,550
Furniture, fixtures, equipment and other	83,910	75,592
Identifiable intangible assets subject to amortization	12,730	17,906
Buildings and improvements	3,490	2,861
Total depreciation and amortization	<u>\$ 871,817</u>	<u>\$ 892,759</u>

- (c) Represents the cost of digital set-top boxes and accessories and fixed satellite services sold to third-parties related to the activities of the businesses and assets distributed.
- (d) Represents the general and administrative expenses primarily related to research and development, corporate overhead expenses and related employee benefits associated with the businesses and assets distributed.
- (e) Represents depreciation and amortization expense primarily associated with the set-top box business, satellites, uplink and satellite transmission assets and certain other real estate assets associated with the businesses and assets distributed.
- (f) Represents interest income primarily related to the \$1.0 billion of cash distribution to EHC. The amount of interest income was calculated assuming that the \$1.0 billion was distributed on January 1, 2006 and earned approximately 5.1% and 5.3%, the weighted-average interest rate earned by ECC's marketable investment securities portfolio, for the year ended December 31, 2006 and for the nine months ended September 30, 2007, respectively.
- (g) Primarily represents the interest expense on leased satellites accounted for as capital leases which were assumed by EHC.
- (h) Primarily represents revenue for general and administrative services provided to EHC. These services are billed at cost plus an additional amount that is equal to an agreed percentage of our cost, which will vary depending on the services provided. In addition, this amount includes revenue from the sale of remanufactured receivers to EHC. This amount is equal to cost plus an additional amount that is equal to an agreed percentage of our cost, which will vary depending on the nature of the equipment purchased.
- (i) Represents the incremental cost of set-top boxes and accessories, for existing subscribers, purchased from EHC. This incremental cost is equal to an agreed percentage of EHC's cost, which will vary depending on the nature of the equipment purchased.

ECHOSTAR DBS CORPORATION
NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

- (j) Represents the incremental cost of satellite and transmission services purchased from EHC primarily including the leasing of satellite capacity at fees based on spot market prices for similar satellite capacity, and uplink, telemetry, tracking and control services.
- (k) Represents the cost of sales for general and administrative services provided to EHC and the cost of remanufactured receivers sold to EHC. In addition, this amount includes the incremental cost of DBS accessories purchased from EHC that were sold to third-parties. This incremental cost is equal to an agreed percentage of EHC's cost, which will vary depending on the nature of the equipment purchased.
- (l) Represents the incremental cost of set-top boxes and accessories, for new subscribers, purchased from EHC. This incremental cost is equal to an agreed percentage of EHC's cost, which will vary depending on the nature of the equipment purchased.
- (m) Primarily represents rental expense related to buildings distributed to EHC and leased back to us at per square foot rental rates comparable to rates of similar commercial property in the same geographic areas, including taxes, insurance and maintenance of the premises.
- (n) Represents additional depreciation expense primarily associated with the incremental cost of the equipment purchased from EHC for our equipment lease programs.
- (o) Represents the tax effect of pro forma adjustments using our blended Federal and state statutory income tax rate adjusted for permanent differences.

Adjustments to Unaudited Pro Forma Condensed Consolidated Balance Sheet:

The pro forma condensed consolidated balance sheet adjustments for the spin-off represent the following:

- (p) Represents the distribution of the digital set-top box business, certain satellites, uplink and satellite transmission assets, real estate and other assets and related liabilities to EHC, including \$1.0 billion in cash.
- (q) Represents the tax effect of pro forma adjustments using our pro forma blended Federal and state statutory income tax rate.