

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

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1997

OR

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

For the transition period from _____ to _____.

Commission file number 0-26176

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

NEVADA
(State or other jurisdiction of
incorporation or organization)

88-0336997
(I.R.S. employer
identification no.)

90 INVERNESS CIRCLE EAST
ENGLEWOOD, COLORADO
(Address of principal executive offices)

80112
(Zip code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT 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 HAS BEEN SUBJECT TO SUCH
FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO
--- ---

AS OF AUGUST 8, 1997, THE REGISTRANT'S OUTSTANDING VOTING STOCK
CONSISTED OF 11,821,563 SHARES OF CLASS A COMMON STOCK, 29,804,401 SHARES
OF CLASS B COMMON STOCK, AND 1,616,681 SHARES OF 8% SERIES A CUMULATIVE
PREFERRED STOCK, EACH \$0.01 PAR VALUE.

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

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

	DECEMBER 31, 1996	JUNE 30, 1997
	-----	-----
ASSETS		(Unaudited)
Current Assets:		
Cash and cash equivalents	\$ 39,231	\$ 182,852
Marketable investment securities	18,807	4,952
Trade accounts receivable, net of allowance for uncollectible accounts of \$1,494 and \$1,834, respectively	13,516	29,475
Inventories	72,767	63,043
Income tax refund receivable	4,830	145
Subscriber acquisition costs, net	68,129	68,584
Other current assets	18,356	10,177
	-----	-----
Total current assets	235,636	359,228
Restricted Cash and Marketable Investment Securities:		
1996 Notes escrow	47,491	--
Satellite Escrow	--	112,086
Interest Escrow	--	109,084
Other	31,800	8,445
	-----	-----
Total restricted cash and marketable investment securities	79,291	229,615
Property and equipment, net	590,621	728,237
FCC authorizations, net	72,667	94,386
Deferred tax assets	79,339	79,339
Other noncurrent assets	83,826	43,675
	-----	-----
Total assets	\$1,141,380	\$1,534,480
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 40,819	\$ 49,752
Deferred programming and product revenue - DISH Network subscriber promotions	97,959	117,121
Deferred revenue - DISH Network	4,407	5,269
Deferred revenue - C-band	734	588
Accrued satellite costs	--	32,950
Accrued expenses and other current liabilities	30,495	45,236
Deferred tax liabilities	12,563	12,198
Current portion of long-term obligations	11,334	12,332
	-----	-----
Total current liabilities	198,311	275,446
Long-term obligations, net of current portion:		
Long-term deferred signal carriage revenue	5,949	7,366
1994 Notes	437,127	467,210
1996 Notes	386,165	411,256
1997 Notes	--	375,000
Mortgage and other notes payable, net of current portion	51,428	45,379
Other long-term obligations	1,203	5,691
	-----	-----
Total long-term obligations, net of current portion	881,872	1,311,902
	-----	-----
Total liabilities	1,080,183	1,587,348
Commitments and Contingencies (Note 8)		
Stockholders' Equity:		
Preferred Stock, 20,000,000 shares authorized, 1,616,681 shares of 8% Series A Cumulative Preferred Stock issued and outstanding, including accrued dividends of \$3,347 and \$3,949, respectively	18,399	19,001
Class A Common Stock, \$.01 par value, 200,000,000 shares authorized, 11,115,582 and 11,821,513 shares issued and outstanding, respectively	111	118
Class B Common Stock, \$.01 par value, 100,000,000 shares authorized, 29,804,401 shares issued and outstanding	298	298
Class C Common Stock, \$.01 par value, 100,000,000 shares authorized, none outstanding	--	
Common Stock Warrants	16	11

Additional paid-in capital	158,113	170,701
Unrealized holding gains (losses) on available-for-sale securities, net of deferred taxes.	(11)	(11)
Accumulated deficit.	(115,729)	(242,986)
	-----	-----
Total stockholders' equity	61,197	(52,868)
	-----	-----
Total liabilities and stockholders' equity	\$1,141,380	\$1,534,480
	-----	-----

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1997	1996	1997
REVENUE:				
DTH products and technical services	\$ 60,458	\$ 21,987	\$ 97,199	\$ 33,649
DISH Network promotions - subscription television services and products	--	43,943	--	76,251
DISH Network subscription television services	5,582	32,189	6,046	57,588
C-band programming.	3,194	1,916	6,643	4,079
Loan origination and participation income	4,290	787	5,103	1,278
Total revenue	73,524	100,822	114,991	172,845
EXPENSES:				
DTH products and technical services	57,528	18,231	90,278	27,718
DISH Network programming.	1,664	25,834	1,769	45,259
C-band programming.	2,880	1,545	6,058	3,308
Selling, general and administrative	19,083	34,362	29,816	66,389
Subscriber promotion subsidies.	--	17,871	--	31,013
Amortization of subscriber acquisition costs.	92	33,316	92	61,418
Depreciation and amortization	6,334	12,684	9,664	25,357
Total expenses.	87,581	143,843	137,677	260,462
Operating loss.	(14,057)	(43,021)	(22,686)	(87,617)
Other Income (Expense):				
Interest income	6,706	1,571	9,383	3,343
Interest expense, net of amounts capitalized.	(27,141)	(22,197)	(33,184)	(42,043)
Other	(117)	(117)	(134)	(294)
Total other income (expense).	(20,552)	(20,743)	(23,935)	(38,994)
Loss before income taxes.	(34,609)	(63,764)	(46,621)	(126,611)
Income tax benefit (provision), net	12,055	(25)	16,846	(44)
Net loss.	\$(22,554)	\$(63,789)	\$(29,775)	\$(126,655)
Loss attributable to common shares.	\$(22,855)	\$(64,090)	\$(30,377)	\$(127,257)
Weighted-average common shares outstanding.	40,432	41,604	40,404	41,265
Loss per common and common equivalent share	\$(0.57)	\$(1.54)	\$(0.75)	\$(3.08)

See accompanying Notes to Condensed Consolidated Financial Statements.

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (29,775)	\$(126,655)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	9,664	25,357
Amortization of subscriber acquisition costs	92	61,418
Deferred income tax benefit	(11,534)	(365)
Amortization of debt discount and deferred financing costs	24,530	38,731
Change in reserve for excess and obsolete inventory	634	1,987
Change in long-term deferred signal carriage revenue	4,163	1,417
Other, net	(666)	4,542
Changes in current assets and current liabilities, net	(17,163)	(15,623)
Net cash flows used in operating activities	(20,055)	(9,191)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable investment securities	(44,782)	(4,706)
Sales of marketable investment securities	15,479	18,561
Purchases of restricted marketable investment securities	(9,800)	(1,645)
Purchases of property and equipment	(7,537)	(19,129)
Offering proceeds and investment earnings placed in escrow	(181,778)	(221,654)
Funds released from escrow accounts and restricted cash - other	71,545	72,975
Expenditures for satellite systems under construction	(73,932)	(47,975)
Investment in convertible subordinated debentures from SSET	--	(500)
Investment in convertible subordinated debentures from DBSI	(3,000)	--
Long-term notes receivable from DBSC	(12,500)	--
Expenditures for FCC authorizations	(13,652)	(129)
Other	--	(478)
Net cash flows used in investing activities	(259,957)	(204,680)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of 1996 Notes	337,043	--
Net proceeds from issuance of 1997 Notes	--	362,500
Repayments of mortgage indebtedness and notes payable	(1,082)	(5,551)
Stock options exercised	722	543
Net cash flows provided by financing activities	336,683	357,492
Net increase in cash and cash equivalents	56,671	143,621
Cash and cash equivalents, beginning of period	21,754	39,231
Cash and cash equivalents, end of period	\$ 78,425	\$ 182,852
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 7,953	\$ 2,352
Cash paid for income taxes	--	--
8% Series A Cumulative Preferred Stock dividends	602	602
Accrued satellite construction costs	--	32,950
Satellite launch payment for EchoStar II applied to EchoStar I launch	15,000	--
Increase in note payable for deferred satellite construction payments for EchoStar I	3,167	--
Employee incentives funded by issuance of Class A Common Stock	8	20
The purchase price of DBSC was allocated as follows in the related purchase accounting:		
EchoStar III satellite under construction	--	51,321
FCC authorizations	--	12,500
Accounts payable and accrued expenses	--	1,946
Notes payable to EchoStar and subsidiaries	--	46,000
Accrued interest due EchoStar and subsidiaries	--	3,382
Other notes payable	--	500
Equity	--	11,993

See accompanying Notes to Condensed Consolidated Financial Statements.

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS ACTIVITIES

PRINCIPAL BUSINESS

EchoStar Communications Corporation ("ECC"), together with its subsidiaries ("EchoStar" or the "Company"), is primarily engaged in the operation of a direct broadcast satellite ("DBS") subscription television service (the "DISH Network"), which commenced operations in March 1996. The DISH Network currently provides approximately 120 channels of digital video programming and over 30 channels of CD quality audio programming to consumers throughout the continental United States. In addition to the DISH Network, EchoStar designs, manufactures, distributes and installs satellite direct-to-home ("DTH") products, distributes domestic DTH programming, and provides consumer financing of EchoStar's DISH Network and domestic DTH products and services. EchoStar's primary business objective is to become one of the leading providers of subscription television and other satellite-delivered services in the United States. EchoStar had approximately 590,000 subscribers to DISH Network programming as of June 30, 1997.

RECENT DEVELOPMENTS

1997 NOTES OFFERING

As more fully described in Note 7, on June 25, 1997, EchoStar DBS Corporation ("DBS Corp"), a wholly-owned subsidiary of EchoStar, consummated an offering (the "1997 Notes Offering") of 12 1/2% Senior Secured Notes due 2002 (the "1997 Notes"). The 1997 Notes Offering resulted in net proceeds to the Company of approximately \$362.5 million. Interest on the 1997 Notes is payable semi-annually on January 1 and July 1 of each year, commencing January 1, 1998. Approximately \$109.0 million of the net proceeds of the 1997 Notes Offering were placed in an escrow account to fund the first five semi-annual interest payments (through January 1, 2000). The 1997 Notes were issued in a private placement pursuant to Rule 144A of the Securities Act of 1933, as amended. The Company agreed to exchange the privately issued notes for publicly registered notes and on July 23, 1997 filed a registration statement on Form S-4 (the "Registration Statement") with the Securities and Exchange Commission. Upon the effectiveness of the Registration Statement, the Company will make an offer to exchange the 1997 Notes for publicly registered notes with substantially identical terms (including principal amount, interest rate, maturity, security and ranking). Prior to consummation of the 1997 Notes Offering, EchoStar contributed (the "Contribution") all of the outstanding capital stock of its wholly-owned subsidiary EchoStar Satellite Broadcasting Corporation ("ESBC") to DBS Corp. As a result of the Contribution, ESBC is a wholly-owned subsidiary of DBS Corp.

NEWS CORPORATION LITIGATION

On February 24, 1997, EchoStar and The News Corporation Limited ("News") announced an agreement (the "News Agreement") pursuant to which, among other things, News agreed to acquire approximately 50% of the outstanding capital stock of EchoStar. News also agreed to make available for use by EchoStar the DBS permit for 28 frequencies at 110-DEG- West Longitude ("WL") purchased by MCI Communications Corporation ("MCI") for over \$682 million at a Federal Communications Commission ("FCC") auction. During late April 1997, substantial disagreements arose between the parties regarding their obligations under the News Agreement.

During May 1997, EchoStar initiated litigation alleging, among other things, breach of contract, failure to act in good faith, and other causes of action. News has denied all of EchoStar's material allegations and has asserted numerous counterclaims against EchoStar and its Chairman and Chief Executive Officer, Charles W. Ergen. While EchoStar is confident of its position and believes it will ultimately prevail, the litigation process could continue for many years and there can be no assurance concerning the outcome of the litigation.

POTENTIAL NASDAQ DELISTING

EchoStar's Class A Common Stock is listed on the Nasdaq National Market. In order for an issuer to continue to have one of its securities designated as a Nasdaq National Market security, the issuer of the security must meet certain maintenance criteria. As of June 30, 1997, EchoStar's net tangible assets do not meet the Nasdaq National Market maintenance criteria, and EchoStar's capital and surplus are not sufficient to meet the Nasdaq SmallCap Market

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

maintenance criteria. EchoStar's negative net tangible assets were anticipated in its business plan and are the direct result of EchoStar financing its growth through debt financing, which the Company believes will ultimately result in a lower cost of capital as compared to equity financing. Because EchoStar does not satisfy either the Nasdaq National Market or SmallCap Market listing criteria, EchoStar's Class A Common Stock may be delisted by the National Association of Securities Dealers, Inc. (the "NASD"), unless an exception is granted. If delisting occurs, EchoStar expects to request a review of the delisting by a Committee of the NASD Board of Governors. The Committee may grant or deny continued designation on the basis of a written submission and any additional data it deems relevant. Determinations of the Committee may be appealed to the NASD Board of Governors. If an exception were not granted from Nasdaq delisting, trading in EchoStar's Class A Common Stock would thereafter likely be conducted in the over-the-counter market. If this were to occur, an investor might find it more difficult to dispose of, or to obtain accurate quotations as to the price of, EchoStar's Class A Common Stock. Delisting may result in a decline in the trading market for EchoStar's Class A Common Stock, which, among other things, could potentially depress EchoStar's stock and bond prices and impair EchoStar's ability to obtain additional financing. While there can be no assurance, based upon informal discussions with the NASD during which EchoStar explained the primary factor contributing to its negative net tangible asset position was the effect of debt versus equity financing, EchoStar is optimistic that it will be granted an exception from delisting.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. All significant intercompany accounts and transactions have been eliminated in consolidation. Operating results for the three and six months ended June 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1996. Certain prior year amounts have been reclassified to conform with the current year presentation.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Company considers all liquid investments purchased with original maturities of 90 days or less to be cash equivalents. Cash equivalents as of December 31, 1996 and June 30, 1997 principally consisted of money market funds, corporate notes and commercial paper; such balances are stated at cost which equates to market value.

INCOME TAXES

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," requires that the tax benefit of net operating losses ("NOLs") for financial reporting purposes be recorded as an asset and that deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the consolidated balance sheets. To the extent that management assesses the realization of deferred tax assets to be less than "more likely than not," a valuation reserve is established. EchoStar has fully reserved the 1997 additions to its deferred tax assets.

NET LOSS ATTRIBUTABLE TO COMMON SHARES

Net loss attributable to common shares is calculated based on the weighted-average number of shares of common stock issued and outstanding during the respective periods. Common stock equivalents (warrants and

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

employee stock options) are excluded as they are antidilutive. Net loss attributable to common shares is also adjusted for cumulative dividends on the 8% Series A Cumulative Preferred Stock.

3. RESTRICTED CASH AND MARKETABLE INVESTMENT SECURITIES

Restricted cash and marketable investment securities held in escrow accounts, as reflected in the accompanying condensed consolidated balance sheets, represent cash restricted by the indenture associated with the 1997 Notes and the remaining restricted cash proceeds from the 1996 Notes Offering, plus investment earnings, less amounts expended to date. A portion of the proceeds from the 1997 Notes Offering are held in two separate escrow accounts (the "Interest Escrow" and the "Satellite Escrow") as required by the related indenture. Restricted cash and marketable investment securities are invested in certain permitted debt and other marketable investment securities until disbursed for the express purposes identified in the respective indentures.

Other restricted cash includes balances totaling \$5.7 million at December 31, 1996 and June 30, 1997, respectively, which was restricted to satisfy certain covenants in the 1994 Notes Indenture regarding launch insurance for EchoStar II. In addition, as of December 31, 1996, \$15.0 million was held in escrow relating to a non-performing manufacturer of DBS receivers (see Note 8). Also, as of December 31, 1996, \$10.0 million was on deposit in a separate escrow account established, pursuant to an additional DBS receiver manufacturing agreement, to provide for EchoStar's future payment obligations. The \$15.0 million and \$10.0 million deposits were both released from these escrow accounts in May 1997.

4. INVENTORIES

Inventories consist of the following (in thousands):

	DECEMBER 31, 1996	JUNE 30, 1997
	----- (UNAUDITED)	
EchoStar Receiver Systems	\$32,799	\$46,499
DBS receiver components	15,736	15,201
Consigned DBS receiver components	23,525	2,681
Finished goods - International.	3,491	4,181
Finished goods - C-band	600	359
Spare parts and other	2,279	1,771
Reserve for excess and obsolete inventory . . .	(5,663)	(7,649)
	----- \$72,767	----- \$63,043
	-----	-----

5. PROPERTY AND EQUIPMENT

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

	LIFE	DECEMBER 31, 1996	JUNE 30, 1997
	(IN YEARS)	----- (UNAUDITED)	
EchoStar I.	12	\$201,607	\$201,607
EchoStar II	12	228,694	228,694
Furniture, fixtures and equipment . . .	2-12	72,945	82,083
Buildings and improvements.	7-40	26,035	27,488
Tooling and other	2	3,253	3,781
Land.	--	2,295	2,317
Vehicles.	7	1,323	1,334
Construction in progress.	--	89,733	241,189
		-----	-----
Total property and equipment.		625,885	788,493
Accumulated depreciation.		(35,264)	(60,256)
		-----	-----
Property and equipment, net		\$590,621	\$728,237
		-----	-----

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

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

	DECEMBER 31, 1996	JUNE 30, 1997
	-----	-----
		(UNAUDITED)
Progress amounts for satellite construction, launch, launch insurance, capitalized interest, and launch and in-orbit tracking, telemetry and control services		
EchoStar III.	\$29,123	\$151,570
EchoStar IV	56,320	77,002
Other	4,290	12,617
	-----	-----
	\$89,733	\$241,189
	-----	-----

6. OTHER NONCURRENT ASSETS

Other noncurrent assets consist of the following (in thousands):

	DECEMBER 31, 1996	JUNE 30, 1997
	-----	-----
		(UNAUDITED)
Notes receivable from DBSC, including accrued interest of \$3,382 and \$0, respectively.	\$49,382	\$ --
Deferred debt issuance costs.	21,284	33,619
SSET convertible subordinated debentures.	3,649	4,075
Investment in DBSC.	4,044	--
DBSI convertible subordinated debentures.	4,640	4,640
Other, net.	827	1,341
	-----	-----
	\$83,826	\$ 43,675
	-----	-----

In January 1997, EchoStar acquired the remaining 60% of Direct Broadcasting Satellite Corporation ("DBSC"), a Delaware corporation, which it did not previously own. DBSC's principal assets include an FCC conditional construction permit and specific orbital slot assignments for certain DBS frequencies. Through the date of the merger, EchoStar had advanced DBSC a total of \$46.0 million to enable it to meet commitments under a satellite ("EchoStar III") construction contract. This transaction was accounted for as a purchase and the excess of the purchase price over the fair value of DBSC's tangible assets was allocated to DBSC's FCC authorizations. Upon consummation of the DBSC merger, the notes receivable from DBSC and EchoStar's investment in DBSC were eliminated in consolidation. Through June 30, 1997, EchoStar has issued approximately 647,000 shares of its Class A Common Stock (and expects to issue an additional 11,000 shares) to acquire the remaining 60% of DBSC which it did not previously own.

7. 1997 NOTES

On June 25, 1997, DBS Corp completed the 1997 Notes Offering consisting of \$375.0 million aggregate principal amount of the 1997 Notes. The 1997 Notes Offering resulted in net proceeds to DBS Corp of approximately \$362.5 million (after payment of underwriting discounts and other issuance costs aggregating approximately \$12.5 million). The 1997 Notes bear interest at a rate of 12 1/2%, computed semi-annually. Interest on the 1997 Notes will be payable in cash semi-annually on January 1 and July 1 of each year, with the first interest payment due January 1, 1998. Approximately \$109.0 million of the net proceeds of the 1997 Notes Offering were placed in the Interest Escrow account to fund the first five semi-annual interest payments (through January 1, 2000). Approximately \$112.0 million of the net proceeds of the 1997 Notes Offering were placed in the Satellite Escrow account to fund the construction launch and insurance of EchoStar IV.

The 1997 Notes mature on July 1, 2002.

The 1997 Notes rank PARI PASSU in right of payment with all senior indebtedness of DBS Corp. The 1997 Notes are guaranteed on a subordinated basis by DBS Corp's parent, EchoStar, and, contingent upon the occurrence of certain events, will be guaranteed by ESBC and Dish, Ltd. and certain other subsidiaries of DBS Corp and EchoStar. The 1997 Notes are secured by liens on the capital stock of DBS Corp, EchoStar IV, and certain other assets of DBS Corp and EchoStar. Although the 1997 Notes are titled "Senior:" (i) DBS Corp has not issued, and does not have any plans to issue, any significant indebtedness to which the 1997 Notes would be senior; and (ii) the 1997 Notes are effectively subordinated to all liabilities of ECC (except liabilities to general creditors). In addition, the ability of Dish, Ltd. to make distributions to DBS Corp is severely limited by the terms of an indenture to which it is subject, and the cash flow generated by the assets and operations of DBS Corp's subsidiaries will only be available to satisfy DBS

ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Corp's obligations on the 1997 Notes to the extent that such subsidiaries are able to make distributions, directly or indirectly, to DBS Corp.

Except under certain circumstances requiring prepayment premiums, and in other limited circumstances, the 1997 Notes are not redeemable at DBS Corp's option prior to July 1, 2000. Thereafter, the 1997 Notes will be subject to redemption, at the option of DBS Corp, in whole or in part, at redemption prices decreasing from 106.25% during the year commencing July 1, 2000 to 100% on or after July 1, 2002, together with accrued and unpaid interest thereon to the redemption date.

The 1997 Notes Indenture contains restrictive covenants that, among other things, impose limitations on the ability of DBS Corp to: (i) incur additional indebtedness; (ii) issue preferred stock; (iii) apply the proceeds of certain asset sales; (iv) create, incur or assume liens; (v) create dividend and other payment restrictions with respect to DBS Corp's subsidiaries; (vi) merge, consolidate or sell assets; (vii) incur subordinated or junior debt; and (viii) enter into transactions with affiliates. In addition, DBS Corp may pay dividends on its equity securities only if: (1) no default is continuing under the 1997 Notes Indenture; and (2) after giving effect to such dividend and the incurrence of any indebtedness (the proceeds of which are used to finance the dividend), DBS Corp's ratio of total indebtedness to cash flow (calculated in accordance with the 1997 Notes Indenture) would not exceed 6.0 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 1997 Notes Indenture) minus 150% of consolidated interest expense of DBS Corp (calculated in accordance with the 1997 Notes Indenture) plus an amount equal to 100% of the aggregate net cash proceeds received by DBS Corp and its subsidiaries from the issuance or sale of equity interests of DBS Corp or EchoStar (other than equity interests sold to a subsidiary of DBS Corp or EchoStar, since June 25, 1997).

In the event of a change of control, as defined in the 1997 Notes Indenture, DBS Corp will be required to make an offer to repurchase all of the 1997 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.

8. COMMITMENTS AND CONTINGENCIES

PURCHASE COMMITMENTS

The Company has entered into agreements with various manufacturers to purchase DBS satellite receivers and related components manufactured to its specifications. As of June 30, 1997, remaining commitments total approximately \$141.7 million and the total of all outstanding purchase order commitments with domestic and foreign suppliers was \$148.1 million. All of the purchases related to these commitments are expected to be made during 1997. The Company expects to finance these purchases from unrestricted cash and additional cash flows generated from sales of DISH Network programming and related DBS inventory. EchoStar expects that its 1997 purchases of DBS satellite receivers and related components will significantly exceed its existing contractual commitments. In addition to the above, EchoStar will expend \$192.6 million between June 30, 1997 and the first quarter of 1998 to complete the construction phase (including applicable insurance) and launch of EchoStar III and its fourth DBS satellite ("EchoStar IV").

OTHER RISKS AND CONTINGENCIES

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

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

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

OVERVIEW

EchoStar Communications Corporation ("EchoStar" or the "Company") currently operates four related businesses: (i) operation of the DISH Network (which commenced commercial operation in March 1996) and the related digital broadcast center, and DBS satellites (collectively the "EchoStar DBS System"); (ii) design, manufacture, marketing, installation and distribution of various DTH products worldwide (including EchoStar's DBS set-top boxes, receive antennas and other related components (collectively, "EchoStar Receiver Systems") and C-band systems); (iii) domestic distribution of DTH programming services; and (iv) consumer financing of EchoStar's domestic products and programming services. EchoStar expects to derive its future revenue principally from periodic subscription fees for DISH Network programming and, to a lesser extent, from the sale of DBS equipment. The growth of DBS service and equipment sales has had, and will continue to have, a material negative impact on EchoStar's domestic sales of C-band DTH products. EchoStar expects the decline in its sales of domestic C-band DTH products to continue.

On February 24, 1997, EchoStar and The News Corporation Limited ("News") announced an agreement (the "News Agreement") pursuant to which, among other things, News agreed to acquire approximately 50% of the outstanding capital stock of EchoStar. News also agreed to make available for use by EchoStar the DBS permit for 28 frequencies at 110-Registered Trademark- West Longitude ("WL") purchased by MCI Communications Corporation ("MCI") for over \$682 million at an FCC auction. During late April 1997, substantial disagreements arose between the parties regarding their obligations under the News Agreement.

During May 1997, EchoStar initiated litigation alleging, among other things, breach of contract, failure to act in good faith, and other causes of action. News has denied all of EchoStar's material allegations and has asserted numerous counterclaims against EchoStar and its Chairman and Chief Executive Officer, Charles W. Ergen. While EchoStar is confident of its position and believes it will ultimately prevail, the litigation process could continue for many years and there can be no assurance concerning the outcome of the litigation.

In accordance with the News Agreement, EchoStar had expected to meet its short-and medium-term capital needs through financial commitments from News. As a result of the failure by News to honor its obligations under the News Agreement, EchoStar was required to raise additional capital to continue its contemplated business plan. Accordingly, in June 1997, EchoStar DBS Corporation ("DBS Corp"), a wholly-owned subsidiary of EchoStar, consummated an offering (the "1997 Notes Offering") of 12 1/2 % Senior Secured Notes due

2002 (the "1997 Notes") resulting in net proceeds to the Company of approximately \$362.5 million, including approximately \$109.0 million restricted to fund interest payments on the 1997 Notes through January 1, 2000. EchoStar intends to seek recovery from News for any costs of financing, including those costs associated with the 1997 Notes Offering, in excess of the costs of the financing committed to by News under the News Agreement.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1997 COMPARED TO THE THREE MONTHS ENDED
JUNE 30, 1996.

REVENUE. Total revenue for the three months ended June 30, 1997 was \$100.8 million, an increase of \$27.3 million, or 37%, as compared to total revenue for the three months ended June 30, 1996 of \$73.5 million. The increase in total revenue in 1997 was primarily attributable to DISH Network subscriber growth. As of June 30, 1997, EchoStar had approximately 590,000 DISH Network subscribers compared to approximately 70,000 at June 30, 1996. EchoStar expects this trend to continue as it adds additional DISH Network subscribers.

The increase in total revenue for the three months ended June 30, 1997 was partially offset by a decrease in international and domestic sales of C-band satellite receivers and equipment. As was anticipated, domestic and international demand for C-band DTH products continued to decline during the second quarter of 1997; this decline is expected to continue for the foreseeable future. Consistent with the increases in total revenue during the three months ended June 30, 1997, EchoStar experienced a corresponding increase in trade accounts receivable at June 30, 1997. The Company expects this trend to continue as the number of DISH Network subscribers increases, and as EchoStar develops additional channels of distribution for DISH Network equipment.

Revenue from domestic sales of DTH products and technical services decreased \$46.9 million, or 92%, to \$4.0 million during the three months ended June 30, 1997. Domestically, EchoStar sold approximately 174,000 satellite receivers during the three months ended June 30, 1997, as compared to approximately 110,000 receivers sold during the comparable period in 1996. Of the total number of satellite receivers sold during the three months ended June 30, 1997, approximately 173,000 were EchoStar Receiver Systems. Although there was a significant increase in the number of satellite receivers sold in the second quarter of 1997 as compared to same quarter in 1996, overall revenue from domestic sales of DTH products decreased as a result of decreased prices charged for DBS receivers combined with the revenue recognition policy applied to DBS satellite receivers sold under EchoStar's promotions (see Liquidity and Capital Resources - Effects of Campaigns to Acquire Subscribers).

Revenue from international sales of analog DTH products for the three months ended June 30, 1997 was \$6.1 million, a decrease of \$3.5 million, or 36%, as compared to the same period in 1996. This decrease was principally attributable to a decrease in the number of analog satellite receivers sold, combined with decreased prices on products sold. Internationally, EchoStar sold approximately 38,000 analog satellite receivers in the three months ended June 30, 1997, a decrease of 25%, compared to approximately 51,000 units sold during the comparable period of 1996. Overall, international demand for EchoStar's analog DTH products continued to decline in the second quarter of 1997 as a result of consumer anticipation of new international digital services. This international decline in demand for analog satellite receivers, which was expected by the Company, is similar to the decline which has occurred in the United States.

To expand its presence in international markets, EchoStar has entered into distribution and consulting agreements with international digital service providers. In January 1997, EchoStar entered into an agreement (the "ExpressVu Agreement") with ExpressVu, Inc. ("ExpressVu") a majority owned subsidiary of BEC, Inc. ("Bell Canada"). The first phase of this agreement includes an initial order for 62,000 satellite receivers, and primary uplink integration payments, which combined are expected to exceed \$40.0 million. Pursuant to the ExpressVu Agreement, EchoStar is assisting ExpressVu with the construction of a digital broadcast center for use in conjunction with ExpressVu's planned DTH service and will act as a distributor of satellite receivers and related equipment for ExpressVu's Canadian DTH service. Among other things, EchoStar has agreed not to provide DTH service in Canada and ExpressVu has agreed not to provide DTH service, including DBS service, in the U.S. EchoStar recognized revenues of approximately \$11.9 million related to the ExpressVu Agreement during the three months ended June 30, 1997 (included within the "DTH products and technical services" caption in the Company's statements of operations). Additionally, in June 1997, Distribuidora de Television Digital S.A. ("Telefonica"), a DBS joint venture in Spain, selected EchoStar to supply digital set-top boxes for its satellite television service scheduled to launch in September 1997. Revenues from Telefonica's initial order of 100,000 digital set-top boxes are expected to

approximate \$40.0 million. EchoStar expects to begin delivery of set-top boxes to Telefonica in September 1997 and expects to fulfill approximately one-half of the contract during the remainder of 1997. EchoStar expects to fulfill the remainder of the contract during early 1998. While EchoStar continues to actively

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

pursue other similar distribution opportunities, no assurance can be given that any such additional negotiations will be successful. Further, EchoStar's future revenue from the sale of DBS equipment and receivers in international markets depends largely on the success of the DBS operator in that country, which, in turn, depends on other factors, such as the level of consumer acceptance of DBS products and the intensity of competition for international DBS subscribers. No assurance can be given regarding the level of expected future revenues which could be generated from EchoStar's alliances with these, and potentially other, foreign DBS operators.

C-band programming revenue totaled \$1.9 million for the three months ended June 30, 1997, a decrease of \$1.3 million, or 40%, compared to the three months ended June 30, 1996. This decrease was primarily attributable to the industry-wide decline in demand for domestic C-band programming services. C-band programming revenue is expected to continue to decrease for the foreseeable future.

DTH AND DISH NETWORK EXPENSES. DTH and DISH Network expenses for the three months ended June 30, 1997 aggregated \$63.5 million, an increase of \$1.4 million, or 2% compared to the same period in 1996. DTH products and technical services expenses decreased \$39.3 million, or 68%, to \$18.2 million for the three months ended June 30, 1997. These expenses include the costs of C-band systems and the costs of EchoStar Receiver Systems and related components sold prior to commencement of EchoStar's promotions. Subscriber promotion subsidies aggregated \$17.9 million for the three months ended June 30, 1997 and represent expenses associated with EchoStar's various promotions. DISH Network programming expenses totaled \$25.8 million for the three months ended June 30, 1997 as compared to \$1.7 million for the comparable period in 1996. The Company expects that DISH Network programming expenses will continue to increase in future periods in proportion to increases in the number of DISH Network subscribers. Such expenses, relative to related revenues, will vary based on the services subscribed to by DISH Network customers, the number and types of pay-per-view events purchased by subscribers, and the extent to which EchoStar is able to realize volume discounts from programming providers.

C-band programming expenses totaled \$1.5 million for the three months ended June 30, 1997, a decrease of \$1.3 million, or 46%, as compared to the same period in 1996. This decrease is consistent with the decrease in C-band programming revenue. As previously described, demand for C-band DTH products continued to decrease as a result of the introduction and widespread consumer acceptance of DBS products and services.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses totaled \$34.4 million for the three months ended June 30, 1997, an increase of \$15.3 million as compared to the same period in 1996. SG&A expenses as a percentage of total revenue increased to 34% for the three months ended June 30, 1997 as compared to 26% for the same period in 1996. The increase in SG&A expenses was principally attributable to increased personnel expenses to support the growth of DISH Network service and increased expenses associated with the operation of the EchoStar DBS System.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. Earnings before interest, taxes, depreciation and amortization (including amortization of subscriber acquisition costs) ("EBITDA") was \$3.0 million for the three months ended June 30, 1997, an improvement of \$10.6 million, compared to negative EBITDA of \$7.6 million during the same period of 1996. This improvement in EBITDA resulted from the factors affecting revenue and expenses discussed above.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the three months ended June 30, 1997 (including amortization of subscriber acquisition costs of \$92,000 and \$33.3 million for the three months ended June 30, 1996 and June 30, 1997, respectively), aggregated \$46.0 million, an increase of \$39.6 million, as compared to the same period 1996. The increase in depreciation and amortization expenses principally resulted from amortization of subscriber acquisition costs and depreciation expense associated with EchoStar II (placed in service during the fourth quarter of 1996).

OTHER INCOME AND EXPENSE. Other expense, net totaled \$20.7 million for the three months ended June 30, 1997, an increase of \$191,000, as compared to the same period 1996. The increase in other expense in the second quarter of 1997 resulted primarily from an increase in interest expense associated with the continued accretion of the 1994 Notes and 1996

Notes, offset by an increase in the amount of interest capitalized during the three months ended June, 1997. Additionally, interest income decreased approximately \$5.1 million as a result of a

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

decrease in invested balances. EchoStar capitalized interest of approximately \$8.6 million during the three months ended June 30, 1997, compared to approximately \$5.5 million during the three months ended June 30, 1996.

INCOME TAX BENEFIT. The decrease in the income tax benefit of \$12.1 million (from \$12.1 million for the three months ended June 30, 1996 to an income tax provision of \$25,000 for the three months ended June 30, 1997) principally resulted from EchoStar's decision to fully reserve the second quarter addition to its net deferred tax asset. EchoStar's net deferred tax assets (approximately \$67.1 million at June 30, 1997) relate to temporary differences for amortization of original issue discount on the 1994 Notes and 1996 Notes, net operating loss carryforwards, and various accrued expenses which are not deductible until paid. If future operating results differ materially and adversely from EchoStar's current expectations, its judgment regarding the magnitude of its reserve may change.

SIX MONTHS ENDED JUNE 30, 1997 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1996.

REVENUE. Total revenue for the six months ended June 30, 1997 was \$172.8 million, an increase of \$57.8 million, or 50%, as compared to total revenue for the six months ended June 30, 1996 of \$115.0 million. The increase in total revenue in 1997 was primarily attributable to the introduction of EchoStar's DISH Network service during March 1996, combined with significant DISH Network subscriber growth since the launch of service.

The increase in total revenue for the six months ended June 30, 1997 was partially offset by a decrease in international and domestic sales of C-band satellite receivers and equipment. The domestic and international demand for C-band DTH products continued to decline during the first half of 1997.

Revenue from domestic sales of DTH products and technical services decreased \$66.2 million, or 88%, to \$8.7 million for the six months ended June 30, 1997. Domestically, EchoStar sold approximately 348,000 satellite receivers during the six months ended June 30, 1997, as compared to approximately 155,000 receivers sold during the comparable period of 1996. Of the total number of satellite receivers sold during the six months ended June 30, 1997, approximately 345,000 were EchoStar Receiver Systems. Although there was a significant increase in the number of satellite receivers sold during the six months ended June 30, 1997 as compared to same period in 1996, overall revenue from domestic sales of DTH products decreased as a result of decreased prices charged for DBS satellite receivers combined with the revenue recognition policy applied to DBS satellite receivers sold under EchoStar's promotions.

Revenue from international sales of analog DTH products for the six months ended June 30, 1997 totaled \$13.0 million, a decrease of \$9.2 million, or 42%, as compared to the same period in 1996. This decrease was directly attributable to a decrease in the number of analog satellite receivers sold, combined with decreased prices on products sold. Internationally, EchoStar sold approximately 91,000 analog satellite receivers during the six months ended June 30, 1997, a decrease of 28%, compared to approximately 126,000 units sold in the comparable period in 1996.

C-band programming revenue totaled \$4.1 million for the six months ended June 30, 1997, a decrease of \$2.6 million, or 39%, compared to the six months ended June 30, 1996. This decrease was primarily attributable to the industry-wide decline in demand for domestic C-band programming services.

DTH AND DISH NETWORK EXPENSES. DTH and DISH Network expenses for the six months ended June 30, 1997 aggregated \$107.3 million, an increase of \$9.2 million, or 9% compared to the same period in 1996. DTH products and technical services expense decreased \$62.6 million, or 69%, to \$27.7 million during the six months ended June 30, 1997. These expenses include the costs of C-band systems and the costs of EchoStar Receiver Systems and related components sold prior to commencement of EchoStar's promotions. Subscriber promotion subsidies aggregated \$31.0 million for the six months ended June 30, 1997. DISH Network programming expenses totaled \$45.3 million for the six months ended June 30, 1997 as compared to \$1.8 million for the comparable period in 1996. The increase is directly attributable to the increase in DISH Network subscribers at June 30, 1997 compared to June 30, 1996.

C-band programming expenses totaled \$3.3 million for the six months ended June 30, 1997, a decrease of \$2.8 million, or 45%, as compared to the same period in 1996. This decrease is consistent with the decrease in C-band

programming revenue.

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses totaled \$66.4 million for the six months ended June 30, 1997, an increase of \$36.6 million as compared to the same period in 1996. SG&A expenses as a percentage of total revenue increased to 38% for the six months ended June 30, 1997 as compared to 26% for the same period in 1996. The increase in SG&A expenses was principally attributable to increased personnel expenses to support the growth of DISH Network service and increased expenses associated with the operation of the EchoStar DBS System. In future periods, EchoStar expects that SG&A expenses as a percentage of total revenue will decrease as subscribers are added.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. EBITDA was negative \$842,000 for the six months ended June 30, 1997, an improvement of \$12.1 million, compared to negative EBITDA of \$12.9 million for the same period in 1996. This improvement in negative EBITDA resulted from the factors affecting revenue and expenses discussed above.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expenses for the six months ended June 30, 1997 (including amortization of subscriber acquisition costs of \$92,000 and \$61.4 million for the six months ended June 30, 1996 and June 30, 1997, respectively) aggregated \$86.8 million, an increase of \$77.0 million, as compared to the same period 1996. The increase in depreciation and amortization expenses primarily was attributable to amortization of subscriber acquisition costs and depreciation expense associated with EchoStar II (placed in service during the fourth quarter of 1996).

OTHER INCOME AND EXPENSE. Other expense, net totaled \$39.0 million for the six months ended June 30, 1997, an increase of \$15.1 million, as compared to the same period 1996. The increase in other expense in the first half of 1997 resulted primarily from an increase in interest expense associated with the March 1996 issuance of the 1996 Notes combined with the continued accretion of the 1994 Notes. Additionally, interest income decreased approximately \$6.0 million as a result of a decrease in invested balances. EchoStar capitalized \$16.6 million and \$14.4 million of interest in the six months ended June 30, 1997 and 1996, respectively.

INCOME TAX BENEFIT. The decrease in the income tax benefit of \$16.9 million (from \$16.8 million for the six months ended June 30, 1996 to an income tax provision of \$44,000 for the six months ended June 30, 1997) principally resulted from EchoStar's decision to fully reserve the 1997 additions to its net deferred tax asset.

LIQUIDITY AND CAPITAL RESOURCES

Capital expenditures, including expenditures for satellite systems under construction, totaled \$81.5 million and \$67.1 million during the six months ended June 30, 1996 and 1997, respectively. During the six months ended June 30, 1997, net cash flows used in operations totaled \$9.2 million compared to \$20.1 million used by operations during the six months ended June 30, 1996. EchoStar anticipates that its working capital and capital expenditure requirements, including subscriber acquisition costs, will increase substantially throughout the remainder of 1997 as it continues to aggressively build its DISH Network subscriber base, and as it constructs, launches and deploys additional DBS satellites. EchoStar's capital expenditures during 1997 principally have been funded by the proceeds from the 1996 Notes Offering. The Company anticipates that its remaining 1997 capital expenditures will be funded from proceeds of the 1997 Notes Offering and cash generated by operations.

EFFECTS OF CAMPAIGNS TO ACQUIRE SUBSCRIBERS

Beginning June 1, 1997, EchoStar implemented a new marketing program in which independent retailers offer standard EchoStar Receiver Systems to consumers for a suggested retail price of \$199 (the "1997 Promotion"). Previously, consumers could purchase EchoStar Receiver Systems for approximately \$199, but were also required to purchase a prepaid one-year subscription to the DISH Network's America's Top 50 CDSM programming package for \$300. The 1997 Promotion allows consumers to subscribe to the DISH Network's various programming offerings on a month-to-month basis without an extended subscription commitment. While there can be no assurance, EchoStar believes that by substantially reducing the "up front" cost to the consumer and eliminating extended subscription commitments, the 1997 Promotion may significantly increase consumer demand for DISH Network services.

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

The 1997 Promotion will significantly increase EchoStar's working capital requirements. Transaction proceeds associated with the 1997 Promotion, which commenced in June, vary dependent on the type of EchoStar Receiver System and the number of additional outlet receivers purchased, but are expected to approximate \$225 to \$275 per new subscriber. Transaction costs, consisting of costs of goods sold, activation fees paid to dealers and distributors, and other promotional costs, are expected to range from \$425 to \$500 per new subscriber. Thus, each subscriber initially added pursuant to the 1997 Promotion will result in a net use of cash of approximately \$200 to \$275. Comparatively, EchoStar's prior promotion (which requires an annual prepaid DISH Network subscription) (the "1996 Promotion"), which will continue to be available to consumers, results in approximately breakeven net cash flows at the time of subscriber activation. EchoStar expects that transaction costs associated with both the 1996 and 1997 Promotions will decrease during the remainder of 1997 as additional cost reductions for EchoStar Receiver Systems are realized, thereby reducing the initial net cash outflow per new subscriber.

The excess of transaction costs over related proceeds from the 1996 Promotion and net transaction costs resulting from the 1997 Promotion are recognized as subscriber promotion subsidies in the Company's statements of operations. EBITDA in future periods will be negatively affected to the extent that a larger portion of future subscriber additions result from the 1997 Promotion rather than from the 1996 Promotion. Since the 1997 Promotion was not commenced until June 1997, the majority of EchoStar's second quarter subscriber additions resulted from consumers who purchased an EchoStar Receiver System pursuant to the 1996 Promotion rather than the 1997 Promotion. EchoStar expects that a significant percentage of its future subscriber additions will result from the 1997 Promotion. The adverse EBITDA impact of the 1997 Promotion (relative to the 1996 Promotion) results from the immediate recognition of all transaction costs at the time of subscriber activation. Comparatively, a portion of 1996 Promotion transaction costs are deferred and amortized over the initial prepaid subscription period.

Beginning August 1, 1997, EchoStar began offering an internally-financed lease program to consumers. The lease provides for an 18 month lease term at competitive rates to qualified consumers. At the end of the lease term, the consumer has the option of purchasing the equipment. Each subscriber activated under the lease program is expected to result in a net use of cash to EchoStar of approximately \$400 to \$600 (depending on the number of outlets). Accordingly, the lease program will result in a greater investment per customer than either the 1997 Promotion or the 1996 Promotion. While there can be no assurance, EchoStar believes that its investment per lease customer will significantly improve at the end of the lease term when the subscriber either continues on a month-to-month basis, purchases the equipment from EchoStar or returns the equipment to the retailer. Depending upon the number of subscribers added pursuant to the lease program, EchoStar may require additional capital to finance the acquisition of additional lease subscribers. No assurance can be given that additional capital will be available on terms acceptable to EchoStar, or at all. EchoStar believes the lease program will be attractive to consumers who would otherwise subscribe to a DBS service but for the initial "up front" costs associated with DBS service. The lease program allows the consumer (for less than \$100) to receive an upgraded EchoStar Receiver System, including a professional installation. Upon activation of service, the consumer is charged a low monthly equipment rental fee in addition to charges associated with programming services purchased.

Historically, EchoStar has maintained agreements with third-party finance companies to make consumer credit available to EchoStar customers. These financing plans provide consumers the opportunity to lease or finance EchoStar Receiver Systems, including installation costs and certain DISH Network programming packages, on competitive terms. Consumer financing provided by third parties is generally non-recourse to EchoStar. EchoStar currently maintains one such agreement which expires in the near future. The third-party finance company with which EchoStar maintains the above mentioned agreement has notified the Company that it does not intend to renew the agreement. EchoStar is currently negotiating similar agreements with other third-party finance companies and expects to consummate at least one such agreement prior to the expiration of its existing consumer financing agreement. There can be no assurance that EchoStar will be successful in these negotiations, or if successful, that any such new agreements will commence prior to the termination of the existing agreement. In the event that EchoStar is unsuccessful in executing a new agreement with a third-party finance company during 1997, future loan origination income will be adversely affected and growth of the DISH Network subscriber base may be negatively

impacted.

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

1997 CAPITAL REQUIREMENTS

In addition to the working capital requirements discussed above, during the remainder of 1997 EchoStar expects to expend: (i) approximately \$128.1 million in connection with the construction launch, insurance and deployment of EchoStar III (\$83.6 million) and EchoStar IV (\$44.5 million). Additionally, EchoStar will expend approximately \$1.3 million per month to meet debt service requirements relative to deferred satellite construction payments for EchoStar I and EchoStar II. EchoStar's debt service requirements on the deferred satellite construction payments will increase to approximately \$1.6 million per month upon the successful launch of EchoStar III (currently scheduled for launch in September 1997). Capital expenditures related to EchoStar III and EchoStar IV may increase in the event of delays, cost overruns, increased costs associated with certain potential change orders under the Company's satellite or launch contracts, or a change in launch providers.

EchoStar's 1997 working capital, capital expenditure and debt service requirements are expected to be funded from existing unrestricted cash and investment balances, the Satellite Escrow, and cash generated from operations. The Company expects subscriber growth to accelerate during the last six months of 1997. Based upon its subscriber growth expectations, EchoStar anticipates that it will require additional capital during the first quarter of 1998 to fund additional subscriber growth. If EchoStar's actual subscriber growth rate exceeds its current expectations, it will require additional financing sooner than originally expected. In the event that EchoStar's subscriber growth occurs slower than currently expected, its needs for additional financing will be delayed. There can be no assurance that additional debt, equity or other financing will be available on terms acceptable to EchoStar, or at all. Further increases in subscriber acquisition costs, inadequate supplies of DBS receivers, or significant launch delays or failures would significantly and adversely affect EchoStar's operating results and financial condition.

FUTURE CAPITAL REQUIREMENTS

In the first quarter of 1998 EchoStar will expend approximately \$64.5 million to construct, launch and support EchoStar IV, which is scheduled to be launched during the first quarter of 1998. These expenditures will be funded from the Satellite Escrow. EchoStar's debt service requirements relative to the deferred satellite construction payments will increase to approximately \$1.9 million per month upon the successful launch of EchoStar IV (currently scheduled for launch in the first quarter of 1998). Additionally, beginning in January 1998, EchoStar will be required to make semi-annual interest payments of \$23.4 million on the 1997 Notes. The first five such semi-annual interest payments will be funded from the Interest Escrow. As described above, based upon its subscriber growth expectations, EchoStar anticipates that it will require additional financing in the first quarter of 1998 to fund additional subscriber growth. There can be no assurance that additional debt, equity or other financing will be available on terms acceptable to EchoStar, or at all.

EchoStar's Class A Common Stock is listed on the Nasdaq National Market. In order for an issuer to continue to have one of its securities designated as a Nasdaq National Market security, the issuer of the security must meet certain maintenance criteria. As of June 30, 1997, EchoStar's net tangible assets do not meet the Nasdaq National Market maintenance criteria, and EchoStar's capital and surplus are not sufficient to meet the Nasdaq SmallCap Market maintenance criteria. EchoStar's negative net tangible assets were anticipated in its business plan and are the direct result of EchoStar financing its growth through debt financing, which the Company believes will ultimately result in a lower cost of capital as compared to equity financing. Because EchoStar does not satisfy either the Nasdaq National Market or SmallCap Market listing criteria, EchoStar's Class A Common Stock may be delisted by the National Association of Securities Dealers, Inc. (the "NASD"), unless an exception is granted. If delisting occurs, EchoStar expects to request a review of the delisting by a Committee of the NASD Board of Governors. The Committee may grant or deny continued designation on the basis of a written submission and any additional data it deems relevant. Determinations of the Committee may be appealed to the NASD Board of Governors. If an exception were not granted from Nasdaq delisting, trading in EchoStar's Class A Common Stock would thereafter likely be conducted in the over-the-counter market. If this were to occur, an investor might find it more difficult to dispose of, or to obtain accurate quotations as to the price of, EchoStar's Class A Common Stock. Delisting may result in a decline in the trading market for EchoStar's Class A Common Stock, which,

among other things, could potentially depress EchoStar's stock and bond prices and impair EchoStar's ability to obtain additional financing. While there can be no assurance, based upon informal discussions with the NASD during which EchoStar explained the primary factor contributing to its negative net tangible asset position was the effect of debt versus equity financing, EchoStar is optimistic that it will be granted an exception from delisting.

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

EFFECTS OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS No. 128), which supersedes Accounting Principles Board Opinion No. 15, "Earnings Per Share" ("APB No. 15"). SFAS No. 128 simplifies the requirements for reporting earnings per share ("EPS") by requiring companies only to report "basic" and "diluted" EPS. SFAS No. 128 is effective for both interim and annual periods ending after December 15, 1997 but requires retroactive restatement upon adoption. EchoStar will adopt SFAS No. 128 in the fourth quarter of 1997. EchoStar does not believe such adoption will have a material effect on either its previously reported or future EPS.

In March 1997, the FASB issued Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" (SFAS No. 129), which continues the existing requirements of APB No. 15 but expands the number of companies subject to portions of its requirements. Specifically, SFAS No. 129 requires that entities previously exempt from the requirements of APB No. 15 disclose the pertinent rights and privileges of all securities other than ordinary common stock. SFAS No. 129 is effective for periods ending after December 15, 1997. EchoStar was not exempt from APB No. 15; accordingly, the adoption of SFAS No. 129 will not have any effect on EchoStar.

PART II - OTHER INFORMATION

ITEM 3. LEGAL PROCEEDINGS

On February 24, 1997, EchoStar Communications Corporation ("EchoStar") and The News Corporation Limited ("News") announced an agreement (the "News Agreement") pursuant to which, among other things, News agreed to acquire approximately 50% of the outstanding capital stock of EchoStar. News also agreed to make available for use by EchoStar the DBS permit for 28 frequencies at 110-DEG. West Longitude ("WL") purchased by MCI Communications Corporation ("MCI") for over \$682 million following a 1996 Federal Communications Commission ("FCC") auction. During late April 1997, substantial disagreements arose between the parties regarding their obligations under the News Agreement.

On May 8, 1997, EchoStar filed a Complaint in the U.S. District Court for the District of Colorado (the "Court"), Civil Action No. 97-960, requesting that the Court confirm EchoStar's position and declare that News is obligated pursuant to the News Agreement to lend \$200 million to EchoStar without interest and upon such other terms as the Court orders.

On May 9, 1997, EchoStar filed a First Amended Complaint significantly expanding the scope of the litigation, to include breach of contract, failure to act in good faith, and other causes of action. EchoStar seeks specific performance of the News Agreement and damages, including lost profits based on, among other things, a jointly prepared a ten-year business plan showing expected profits for EchoStar in excess of \$10 billion based on consummation of the transactions contemplated by the News Agreement.

On June 9, 1997, News filed an answer and counterclaims seeking unspecified damages. News' answer denies all of the material allegations in the First Amended Complaint and asserts twenty defenses, including bad faith, misconduct and failure to disclose material information on the part of EchoStar and its Chairman and Chief Executive Officer, Charles W. Ergen. The counterclaims, in which News is joined by its subsidiary American Sky Broadcasting LLC ("AskyB") assert that EchoStar and Ergen breached their agreements with News and failed to act and negotiate with News in good faith. EchoStar has responded to News' answer and denied the allegations in their counterclaims. EchoStar also has asserted various affirmative defenses. EchoStar intends to diligently defend against the counterclaims. The parties are now in discovery. The case has been set for a five week trial commencing June 1, 1998, but that date could be postponed. The litigation process could continue for many years and there can be no assurance concerning the outcome of the litigation. An adverse decision could have a material adverse effect on EchoStar's financial position and results of operations.

On April 25, 1997, EchoStar Satellite Corporation ("ESC") and Sagem, S.A., ("Sagem") a French Corporation, executed a settlement and release agreement under which Sagem agreed to return the \$10.0 million down payment made to Sagem and agreed to release the \$15.0 million placed in escrow with a bank in connection with a manufacturing agreement entered into in April 1995. ESC and Sagem have released all claims against each other.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS.

EXHIBIT NO. -----	DESCRIPTION
3.1(a)*	Articles of Incorporation of EchoStar DBS Corporation, a Colorado corporation ("DBS Corp.") (incorporated by reference to Exhibit 3.4(a) to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
3.1(b)*	Bylaws of DBS Corp. (incorporated by reference to Exhibit 3.4(b) to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.1*	Registration Rights Agreement, dated as of June 25, 1997, by and among DBS Corp., EchoStar Communications Corporation, a Nevada corporation formed in April 1995, EchoStar Satellite Broadcasting Corporation, a Colorado corporation, Dish, Ltd. (formerly EchoStar Communications Corporation, a Nevada corporation formed in December 1993), Donaldson, Lufkin & Jenrette Securities Corporation and Lehman Brothers Inc. (incorporated by reference to Exhibit 4.15 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.2*	Indenture of Trust, dated as of June 25, 1997, between DBS Corp. and First Trust National Association ("First Trust"), as Trustee (incorporated by reference to Exhibit 4.16 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.3*	Interest Escrow Agreement, dated June 25, 1997, between First Trust, as Escrow Agent and as Trustee, and DBS Corp. (incorporated by reference to Exhibit 4.17 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.4*	Satellite Escrow Agreement, dated June 25, 1997, between First Trust, as Escrow Agent and as Trustee, and DBS Corp. (incorporated by reference to Exhibit 4.18 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.5*	Stock Pledge Agreement of EchoStar in favor of First Trust, as Trustee under the Indenture filed as Exhibit 4.2 hereto (incorporated by reference to Exhibit 4.19 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.6*	Escrow Security Agreement, dated June 25, 1997, between First Trust and DBS Corp. (incorporated by reference to Exhibit 4.20 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.7*	Security Agreement and Collateral Assignment, dated June 25, 1997, among First Trust, EchoStar Space Corporation, a Colorado corporation ("EchoStar Space corporation") and (incorporated by reference to Exhibit 4.21 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.8*	Satellite Security Agreement, dated June 25, 1997, between First Trust and DBS Corp. (incorporated by reference to Exhibit 4.22 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
4.9*	Security Interest Pledge Agreement, dated June 25, 1997, between First Trust and DBS Corp. (incorporated by reference to Exhibit 4.23 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
10.1	Amendment No. 9 to Satellite Construction Contract, effective as of July 18, 1996, between Direct Broadcasting Satellite Corporation, a Delaware corporation ("DBSC") and Martin Marietta Corporation.**

- 10.2 Amendment No. 10 to Satellite Construction Contract, effective as of May 31, 1996, between DBSC and Lockheed Martin Corporation.**
- 10.3 Contract for Launch Services, dated April 5, 1996, between Lockheed Martin Commercial Launch Services, Inc. and EchoStar Space Corporation.**
- 27 Financial Data Schedule.
- 99.1* Form of Letter of Transmittal (incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
- 99.2* Form of Notice of Guaranteed Delivery (incorporated by reference to Exhibit 99.2 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
- 99.3* Form of Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees (incorporated by reference to Exhibit 99.3 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
- 99.4* Form of Letter to Clients (incorporated by reference to Exhibit 99.4 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).
- 99.5* Guidelines for Certification of Taxpayer Identification Number on Form W-9 (incorporated by reference to Exhibit 99.5 to the Registration Statement on Form S-4 of DBS Corp., filed on July 23, 1997).

- - - - -
* Incorporated by reference.

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

(B) REPORTS ON FORM 8-K.

On April 28, 1997, a Current Report on Form 8-K was filed to report the delay in the submission of applications for regulatory approval of The News Corporation Limited's ("News") investment in EchoStar, in connection with a binding Letter Agreement between News and EchoStar.

SIGNATURES

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

ECHOSTAR COMMUNICATIONS CORPORATION

By: /s/ STEVEN B. SCHAVER

Steven B. Schaver
Chief Operating Officer and Chief Financial Officer
(PRINCIPAL FINANCIAL OFFICER)

By: /s/ JOHN R. HAGER

John R. Hager
Treasurer and Controller
(PRINCIPAL ACCOUNTING OFFICER)

Date: August 11, 1997

AMENDMENT NO. 9 TO CONTRACT
BETWEEN
DIRECT BROADCASTING SATELLITE CORPORATION
(HEREINAFTER "BUYER")
and
MARTIN MARIETTA CORPORATION
(HEREINAFTER "CONTRACTOR")

This Amendment is effective as of the 18th day of July 1996.

WITNESS THAT:

WHEREAS, Direct Broadcasting Satellite Corporation ("Buyer") and Martin Marietta Corporation ("Contractor"), mutually agree to amend the subject Contract to:

- revise ARTICLE 4 PAYMENT;
- revise ARTICLE 20 ASSIGNMENT;
- revise EXHIBIT B: SPECIFICATION.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, Buyer and Contractor agree to modify the Contract as follows:

ARTICLE 4 PAYMENT
- - - - -

Revise paragraph D by deleting the last two sentences and replacing them with the following:

The In-Orbit payments, including the interest thereon, will be [CONFIDENTIAL MATERIAL REDACTED] by a written corporate guarantee provided by EchoStar Communications Corporation (ECC). The security will be provided no later than ninety (90) days prior to the scheduled launch date.

ARTICLE 20 ASSIGNMENT
- - - - -

Add new paragraph C as follows:

C. Buyer consents to the assignment of this contract from Martin Marietta Corporation to Lockheed Martin Corporation effective as of January 29, 1996.

EXHIBIT B: SPECIFICATION
- - - - -

The Exhibit B: Specification is hereby modified to include a third command receiver.

Contractor will use its reasonable best efforts to accomplish the inclusion of a third command receiver with no negative impact to the delivery schedule, at no additional charge to Buyer. The Contractor shall notify Buyer of any negative delivery schedule impact by August 5, 1996. In the event that notwithstanding Contractor's reasonable best efforts there is a schedule impact, the Buyer shall either: i) direct the Contractor to proceed with the extended deliver schedule (and the Buyer will relieve Contract of liquidated damages shown in ARTICLE 30: LIQUIDATED DAMAGES); or ii) shall direct the Contractor to proceed with (2) command receivers with no credit to Buyer. The Buyer shall provide the Contractor with such direction no later than sixty (60) calendar days after receipt of Contractor's notification of schedule delay associated with the addition of the third command receiver. To the extent that Contractor notifies Buyer that a delay is not expected, but subsequently, notwithstanding Contractor's reasonable best efforts the command receiver is delivered to the Contractor later than the command receiver subcontractor's contractual delivery date to the Contractor, the Buyer shall either: i) direct the Contractor to proceed with the extended delivery schedule (and the Buyer will relieve Contractor of liquidated damages shown in ARTICLE 30: LIQUIDATED DAMAGES); or ii) shall direct the Contractor to proceed with (2) command receivers with no credit to Buyer.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment to the Contract.

DIRECT BROADCASTING SATELLITE
CORPORATION

MARTIN MARIETTA CORPORATION

By: /S/ H. W. RADIN 8/28/96

By: /S/ PETER H. WIGGETT

Title: Chairman and Chief Executive

Title: Director, Commercial Contracts

AMENDMENT NO. 10 TO CONTRACT
BETWEEN
DIRECT BROADCASTING SATELLITE CORPORATION
(HEREINAFTER "BUYER")
and
LOCKHEED MARTIN CORPORATION
(HEREINAFTER "CONTRACTOR")

This Amendment is effective as of the 31st day of May 1996.

WITNESS THAT:

WHEREAS, Direct Broadcasting Satellite Corporation ("Buyer") and Lockheed Martin Corporation ("Contractor"), mutually agree to amend the subject Contract to:

- revise ARTICLE 4 PAYMENT;
- revise ARTICLE 18 TERMINATION FOR CONVENIENCE.

NOW THEREFORE, in consideration of the mutual covenants and conditions contained herein, Buyer and Contractor agree to modify the Contract as follows:

I. ARTICLE 4 PAYMENT

Add new Paragraph 4.B.3. as follows:

The preconstruction phase design work for Spacecraft Flight #2 is included in the price of Spacecraft Flight #1 except for effort associated with unique orbital locations. Contractor shall not be required to perform further design effort for Spacecraft Flight #2 unless provided an appropriate equitable adjustment.

Add new Paragraph 4.C.3. as follows:

In the event that the commencement of construction phase payments are delayed beyond May 31, 1996 for Spacecraft flight #2, the Contractor will be entitled to an equitable adjustment for price escalation and program extension costs as well as delivery schedule, further adjustments may be necessitated by non-availability of components in cases where suppliers cannot provide units identical to those procured under the baseline contract.

Delete paragraph D in its entirety and replace with the following:

D. Spacecraft In-Orbit Payments

1. The Spacecraft In-Orbit payments for Spacecraft Flights #1 and #2 shall be paid over a period of five (5) years from launch.
2. The In-Orbit payments shall be paid [CONFIDENTIAL MATERIAL REDACTED] until full payment has been received by Contractor.
3. For Spacecraft Flights #1 and #2, the interest rate applicable to the monthly In-Orbit payments shall fall between [CONFIDENTIAL MATERIAL REDACTED] and shall be fixed 90 days prior to the scheduled launch and shall be calculated using [CONFIDENTIAL MATERIAL REDACTED] such date as follows:
 - a. If the [CONFIDENTIAL MATERIAL REDACTED] In-Orbit payments shall accrue [CONFIDENTIAL MATERIAL REDACTED].
 - b. if the [CONFIDENTIAL MATERIAL REDACTED] In-Orbit payments shall accrue [CONFIDENTIAL MATERIAL REDACTED].
 - c. if the [CONFIDENTIAL MATERIAL REDACTED] In-Orbit payments shall accrue [CONFIDENTIAL MATERIAL REDACTED].
4. The In-Orbit payments, including the interest thereon, will be [CONFIDENTIAL MATERIAL REDACTED] by a corporate guarantee provided by the EchoStar Communications Corporation (ECC). The security will be provided to Contractor no later than August 19, 1996.
5. The Parties are willing to enter into good faith negotiations to establish an alternative to the schedule set out in D.1. above for the Spacecraft In-Orbit payments for Spacecraft Flights #1 and #2.

Add new Paragraph J as follows:

The first construction payment for Spacecraft Flight #2 shall be due sixty (60) days following Buyer's receipt of Contractor's invoice, followed by Buyer's written confirmation thereof. Additional payments shall follow monthly thereafter per the Spacecraft Flight #2 Payment Plan.

II. ARTICLE 18 TERMINATION FOR CONVENIENCE

Add new Paragraph G as follows:

On or after January 1, 1998, Contractor, by written notice to Buyer, may notify Buyer of its intention to terminate this Contract one year following the date of such notice with respect to all Spacecraft Flights for which Buyer has not made (and does not make) the first construction phase payment prior to the expiration of such one year period. Such termination shall be effective as of the date one year following the date of notice.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Contract.

DIRECT BROADCASTING SATELLITE
CORPORATION

LOCKHEED MARTIN CORPORATION

By: /S/ H. W. RADIN 8/28/96

By: /S/ PETER H. WIGGETT

Title: Chairman and Chief Executive

Title: Director, Commercial Contracts

CONTRACT FOR LAUNCH SERVICES

This Contract is made and entered into by and between Lockheed Martin Commercial Launch Services, Inc., a Delaware corporation, having its principal place of business at 101 West Broadway Suite 2000, San Diego, California 92101 ("Contractor") and EchoStar Space Corporation having its principal place of business at 90 Inverness Circle East, Englewood, Colorado, ("Customer").

ARTICLE 1
DEFINITIONS

Unless the context shall otherwise require, capitalized terms used herein shall have the following meanings:

AFFILIATE means the directors, officers, agents and employees of a Party. This definition is for identification purposes only and shall not be interpreted as creating any privity of contract between Affiliates of one Party and the other Party or its Affiliates.

CSLA means the Commercial Space Launch Act, 49 U.S.C. Sections 70101 - 70119, as amended.

CONSTRUCTIVE TOTAL FAILURE means that it can be determined from flight data or other evidence, that the Launch Vehicle performed, at any time from Launch to the separation of the Satellite, in a manner that: (i) caused the Satellite's operational capacity (functional lifetime) or nominal lifetime to be reduced by fifty percent (50%) or more based on Customer's intended purposes for the Satellite using its reasonable judgment; or (ii) caused the Satellite's attitude or orbital conditions after Satellite Separation to be such that correction is required to place the Satellite into nominal operating condition and this correction results in a reduction of fifty percent (50%) or more of the Satellite's nominal lifetime.

CONTRACT means this instrument and all exhibits attached hereto, as the same may be amended from time to time in accordance with the terms hereof.

Exhibit A - Statement of Work
Exhibit B - Interface Control Document

Lockheed Martin Commercial Launch Series Proprietary Data

CONTRACT PRICE means the Launch Service Price and the applicable Reflight Launch Fee or Refund Fee, if any, as set forth in Article 4 entitled "Contract Price."

EFFECTIVE DATE shall have the meaning set forth in Article 32 entitled "Effective Date."

EXCUSABLE DELAY shall have the meaning set forth in Paragraph 8.1 entitled "Excusable Delays Defined."

FAILURE REVIEW BOARD shall have the meaning and the duties set forth in Paragraph 19.5 entitled "Failure Review Board."

INTENTIONAL IGNITION means that point in time, during the launch countdown, when initiation of the firing command for the gas generator igniters occurs and firing of any of the gas generator igniters occurs.

INTERFACE CONTROL DOCUMENT or ICD means that document attached as Exhibit B to this Contract.

LAUNCH means the Intentional Ignition followed by either (i) release of the Launch Vehicle from the launcher hold down restraints for the purpose of lift off; or (ii) total loss or destruction of the Satellite or Launch Vehicle.

LAUNCH DATE means the calendar date within the Launch Slot during which the Launch is scheduled to occur, as established in accordance with Article 6 entitled "Launch Schedule" and as such Launch Date may be adjusted in accordance with Article 7 entitled "Launch Schedule Adjustments."

LAUNCH OPPORTUNITY means an adequate time period during which Contractor, in its reasonable judgment, may provide a Launch Service to the Customer, taking into account all relevant conditions, including but not limited to, commitments to other customers, maintenance of appropriate clearance times between flights, hardware availability and requirements of the United States Government for range support.

LAUNCH PERIOD means a period of ninety (90) days during which a Launch may be scheduled to occur, and as such Launch Period may be adjusted in accordance with Article 7 entitled "Launch Schedule Adjustments."

Lockheed Martin Commercial Launch Series Proprietary Data

LAUNCH SERVICE means those services to be provided by Contractor to Customer for a single Launch as set forth in Exhibit A entitled "Statement of Work."

LAUNCH SERVICE PRICE means the price for any Launch Service as set forth under the heading "Launch Service Price" in Paragraph 4.1 entitled "Contract Price" and subject to adjustment as provided herein.

LAUNCH SLOT: means a thirty (30) day period within the Launch Period during which the Launch is scheduled to occur, as established in accordance with Article 6 entitled "Launch Schedule" and as may be adjusted in accordance with Article 7 entitled "Launch Schedule Adjustments"

LAUNCH VEHICLE means the Atlas IIAS launch vehicle system including the Atlas lower stage and Centaur upper stage connected by an interstage adapter, the payload fairing and the payload adapter with separation system, (but excluding any Customer unique mission requirements).

LAUNCH VEHICLE MISSION FAILURE means the occurrence of a Total Failure or Constructive Total Failure.

PARTIAL FAILURE means that it can be determined from flight data or other evidence that the Launch Vehicle performed, at any time from Launch to the separation of the Satellite, in a manner that: (i) caused the Satellite's operational capacity (functional lifetime) or nominal lifetime to be reduced by more than ten percent (10%) but less than fifty percent (50%), based on Customer's intended purposes for the Satellite using its reasonable judgment; or (ii) caused the Satellite's attitude or orbital conditions after Satellite Separation to be such that correction is required to place the Satellite into nominal operating condition and this correction results in a reduction of more than ten percent (10%) but less than fifty percent (50%) of the Satellite's nominal lifetime.

PARTY or PARTIES means Contractor, Customer or both.

REFLIGHT LAUNCH means the additional Launch Service(s) which may be provided to Customer in accordance with Article 19 entitled "Reflight or Refund."

REFLIGHT LAUNCH FEE means the fee for Reflight Launch coverage set forth in Article 19 entitled "Reflight or Refund."

Lockheed Martin Commercial Launch Series Proprietary Data

REFUND means the amount payable to the Customer pursuant to Paragraph 19.3 entitled "Terms Governing Refund" in the event the Launch Service is a Total Failure, Constructive Total Failure, or Partial Failure.

REFUND FEE means the fee for Refund coverage set forth in Article 19 entitled "Reflight or Refund."

RELATED THIRD PARTIES means (i) the Parties' Affiliates and customers; (ii) the Parties' contractors, subcontractors and suppliers at any tier involved directly or indirectly in the performance of this Contract, and their directors, officers, agents and employees; and (iii) entities involved with payload processing or other activities in the payload processing facilities, including Contractor providing the payload processing facilities, other customers of the payload processing facilities contractor, and all employees and contractors of those contractors and customers. This definition is for identification purposes only and shall not be interpreted as creating any privity of contract between Affiliates of one Party and the other Party or its Affiliates.

REPLACEMENT LAUNCH means the additional Launch Service which may be provided to the Customer in accordance with Article 20 entitled "Replacement Launch."

SATELLITE means the Customer-provided EchoStar III satellite and associated property to be launched on the Launch Vehicle.

SATELLITE MISSION FAILURE means that it can be determined from flight data or other evidence, that (i) the Satellite's operational capacity (functional lifetime) or nominal lifetime have been reduced by fifty percent (50%) or more based on Customer's intended purposes for the Satellite using its reasonable judgment; or (ii) the Satellite's attitude or orbital conditions after Satellite Separation require correction to place the Satellite into nominal operating condition and this correction results in a reduction of fifty percent (50%) or more of the Satellite's nominal lifetime.

SATELLITE SEPARATION means the physical separation of the Satellite from the Launch Vehicle pursuant to the command activating the separation system that releases the Satellite.

SUCCESS means a Launch Service which is not a Total Failure, Constructive Total Failure or Partial Failure.

Lockheed Martin Commercial Launch Series Proprietary Data

TERMINATED IGNITION means the intentional or unintentional shutdown of the first stage main engines after Intentional Ignition but before the release of the Launch Vehicle from the launcher hold down restraints continuing until such time as the pad is declared safe by the Range Safety Officer.

TERMINATION CHARGE means the charge calculated in accordance with Paragraph 21.6 entitled "Termination Charge."

THIRD PARTY means any person or entity other than Contractor, Customer, their Affiliates and Related Third Parties and the United States Government and its agencies, contractors or subcontractors involved in the Launch Services.

TOTAL FAILURE means that it can be determined from flight data or other evidence that the Launch Vehicle, at any time from Launch to the separation of the Satellite, performed in a manner that caused the Satellite to be totally lost, completely destroyed or unable to separate from the Launch Vehicle.

ARTICLE 2
SERVICES TO BE PROVIDED

2.1 BASIC LAUNCH SERVICE Contractor shall furnish a Launch Service for one (1) Launch of a the Customer-provided Satellite from Cape Canaveral Air Station (CCAS), Florida, United States of America, in accordance with Exhibit A entitled "Statement of Work."

2.2 REFLIGHT OR REFUND Subject to the provisions of Article 19 of this Contract entitled "Reflight or Refund," Contractor shall provide a Reflight Launch for a Customer-furnished Satellite or a Refund of the Launch Service Price.

2.3 REPLACEMENT LAUNCH Subject to the provisions of Article 20 of this Contract entitled "Replacement Launch", Contractor shall provide a Replacement Launch for a Customer-furnished Satellite.

ARTICLE 3
RESERVED

ARTICLE 4
CONTRACT PRICE

4.1 CONTRACT PRICE The Contract Price for the Launch Service shall be the total of the Launch Service Price plus the Reflight Launch Fee or Refund Fee, as the case may be, for the coverage described in Article 19 entitled "Reflight Launch or Refund" should the Customer elect such coverage in accordance with Article 19 of this Contract. Upon such election, the Contract Price shall be adjusted accordingly.

Launch Service Price -----	Reflight Launch Fee* ----	Refund Fee* ----	Contract Price -----
[CONFIDENTIAL MATERIAL REDACTED]	[CONFIDENTIAL MATERIAL REDACTED]	[CONFIDENTIAL MATERIAL REDACTED]	[CONFIDENTIAL MATERIAL REDACTED]

*The Reflight Fee and Refund Fee are predicated upon the performance of a Launch Service by no later than 31 December 1997 and are subject to adjustment with reference to the-current rates in the event that the Launch service occurs on or after 1 January 1998. In the event a Launch is scheduled to occur on or after 1 January 1998, Contractor will invoice Customer for the amount of any increase to the Reflight Launch Fee or Refund Launch Fee, as the case may be, at least one hundred and eighty (180) days before the Launch Date. If the Customer does not pay the increased amount of the Reflight Launch Fee or Refund Launch Fee within one hundred and twenty (120) days prior to the Launch Date, then the Customer will be deemed to have waived and relinquished any rights to a Reflight Launch or Refund under article 9 entitled "Reflight or Refund" and the Customer will be entitled to a refund on any Reflight Launch Fee or Refund Fee paid to Contractor.

4.3 TAXES The Contract Price includes all taxes, duties and other levies imposed by the United States Government or any political subdivisions thereof but excludes any taxes duties or other levies that may be imposed on any Satellite, support equipment or technology by the United States Government or any other government. Any taxes, duties or levies imposed on such Customer-furnished items shall be the obligation of Customer and, should such become an obligation of Contractor for any reason, Customer shall indemnify and hold harmless Contractor from such obligation and shall reimburse Contractor within thirty (30) days of Contractor's invoice for payment of such amounts.

ARTICLE 5
PAYMENT

5.1 TIMING OF PAYMENTS Payment of the Contract Price shall be in U.S. Dollars, subject to conditions set forth in Articles 7 and made in accordance with the following schedule:

5.1.1 INITIAL PAYMENT: Customer will make an initial payment of [CONFIDENTIAL MATERIAL REDACTED] for the Launch Service as set forth in Article 2. This initial payment is due within thirty (30) days of the later of the effective date of this Contract or the submission of Contractor's invoice for the amount of the initial payment. The initial payment amount due will be reduced to [CONFIDENTIAL MATERIAL REDACTED] payment made by the Customer and received by the Contractor pursuant to a Letter of Intent executed by the Contractor and Customer on March 27 1996.

5.1.2 PAYMENT NO. 2: Payment number two shall equal [CONFIDENTIAL MATERIAL REDACTED] and be due upon the Launch of the Customer's EchoStar II satellite, plus three business days, but in no event shall payment number 2 be due later than September 30, 1996.

5.1.3 REMAINING PAYMENTS: The balance of the payments for the Launch Service as set forth in Article 2 entitled "Services To Be Provided" shall be paid in accordance with the Table 5.1 launch payment schedule below. As used in the payment schedule below, "L" shall mean [CONFIDENTIAL MATERIAL REDACTED] If a payment due date falls on a Saturday, Sunday or legal bank holiday, then payment shall be due on the following business day.

TABLE 5.1. LAUNCH PAYMENT SCHEDULE.

Payment Number	Amount Due	Payment Date
-----	-----	----
[CONFIDENTIAL MATERIAL REDACTED]	[CONFIDENTIAL MATERIAL REDACTED]	[CONFIDENTIAL MATERIAL REDACTED]

5.2 WIRE TRANSFER INSTRUCTIONS All payments to Contractor will be by wire transfer to the following address:

Lockheed Martin Commercial Launch Services
Citibank N.A.
One Penn's Way
New Castle, DE. 19720
ABA# 021000089
Acct# 40678123

5.3 INVOICES Contractor shall submit invoices thirty (30) days in advance of the scheduled payment due dates. Payments shall be deemed made when credit for the payable amount is established in Contractor's designated bank account.

5.4 INTEREST ON PAYMENTS DUE If any amount due to either Party under this Contract shall remain unpaid after its due date, then the paying Party shall pay interest to the other Party at the prevailing prime interest rate (as charged by the Chase Manhattan Bank, New York City). Interest will be computed commencing on the day following such due date to and including the day payment is actually made.

5.5 ACCELERATED PAYMENTS

5.5.1 ACCELERATED LAUNCH SERVICE: In the event that the Launch Service is accelerated as described in Article 7 entitled "Launch Schedule Adjustments," the next payment due for such Launch Service following such acceleration shall be increased to include the balance of the payments that would have been made had the Contract payments been scheduled on the basis of the accelerated Launch Period.

5.6 POSTPONED PAYMENTS

5.6.1 POSTPONEMENTS BY CONTRACTOR: In the event of postponement declared by Contractor for any reason including those in Article 7 and Article 8, the Contract payments shall be suspended for the length of the delay and then resumed with all remaining payments postponed by the amount of the delay. Notwithstanding the above, in the event of a postponement declared by the Contractor the final payment shall remain due in accordance with Article 5.1 of this Contract.

5.6.2 POSTPONEMENTS BY CUSTOMER: In the event of postponement declared by Customer for any reason including those in Article 7 and Article 8, the Contract payments shall not be suspended and shall remain due based upon the effective Launch Period, or Launch Slot or Launch Date if established, prior to the postponement, except as set forth in 5.6.3 below.

5.6.3 POSTPONEMENTS UNDER ARTICLE 7.1.3 AND 7.1(c): In the event the Customer exercises its postponement rights in accordance with Article 7.1.3 or 7.1(c) of this Contract, the Customer shall be entitled to suspend each remaining payment for the length of the delay.

5.7 PAYMENT TERMS FOR REFLIGHT OR REFUND PROTECTION Payment terms for Reflight or Refund Protection, as may be elected by the Customer in accordance with Articles 4 entitled "Contract Price" and 19 entitled "Reflight or Refund" of this Contract, are as set forth in Article 19 of this Contract.

ARTICLE 6 LAUNCH SCHEDULE

6.1 LAUNCH PERIOD The Launch Period for the Launch as to which Contractor is providing a Launch Service shall be as follows:

Launch Number -----	Launch Period -----
1	1 September 1997-30 November 1997, inclusive

6.2 LAUNCH SLOT At least nine (9) months prior to the first day of the Launch Period, Contractor will give notice to Customer of a proposed Launch Slot within the Launch Period, taking into account the requirements for a Launch Opportunity. The Parties will cooperate in good faith to finalize the selection of a Launch Slot. However, in the event that the Parties cannot mutually agree upon a Launch Slot within thirty (30) days of Contractor's proposal, Contractor shall make such determination taking into account the available Launch Opportunities and the requirements and interests of Customer.

6.3 LAUNCH DATE At least four (4) months prior to the first day of the Launch Slot, Contractor will give notice to Customer of a proposed Launch Date within the Launch Slot, taking into account the requirements for a Launch Opportunity. The Parties will cooperate in good faith to finalize the selection of a Launch Date. However, in the event that the Parties cannot mutually agree upon a Launch Date within thirty (30) days of Contractor's proposal, Contractor shall make such determination in good faith taking into account the available Launch Opportunities and the requirements and interests of Customer.

ARTICLE 7
LAUNCH SCHEDULE ADJUSTMENTS

7.1 CUSTOMER LAUNCH SCHEDULE ADJUSTMENTS Without limiting the Customer's rights under Article 8 of this Contract entitled "Excusable Delays", Customer may request either a postponement for the reasons set forth in 7.1(a), 7.1(b) or 7.1(c) or advancement of the Launch Slot or Launch Date previously determined under Article 6 of this Contract entitled "Launch Schedule," by giving notice to Contractor proposing a new Launch Period, Launch Slot or Launch Date. The Parties will cooperate in good faith to select a new Launch Period, Launch Slot or Launch Date. However, in the event that the Parties cannot mutually agree within sixty (60) days of Customer's notice (or such shorter time period as Contractor may determine, in light of the proximity to the Launch), Contractor shall make such determination in good faith taking into account the available Launch Opportunities and the requirements and interests of Customer. Until the new Launch Period, Launch Slot or Launch Date is selected in accordance with this Paragraph 7.1, the then-current launch schedule shall remain in effect.

7.1(a) The Customer may request a delay (equal to the schedule impact) to the Launch Period, or Launch Slot or Launch Date if established in the event the Satellite manufacturer experiences delays in the delivery schedules of the Satellite.

7.1(b) Notwithstanding and in addition to the foregoing, the Customer may postpone the Launch Period, Launch Slot or Launch Day, for other reasons, provided that the cumulative amount of such postponement(s) does not exceed [CONFIDENTIAL MATERIAL REDACTED]

7.1(c) The Customer may delay (to the extent of the delay so caused) the Launch Period, Launch Slot or Launch Date if established, in the event the Contractor damages the Customer's Satellite and it can be determined that the damage caused a delay to the launch schedule.

7.1.1 If the launch schedule adjustment results in a later Launch Period, Launch Slot or Launch Date, then only the total number of calendar days of delay originally requested by Customer shall be attributed to Customer.

7.1.2 Postponements by Customer under this Article 7 for the Launch Service shall not exceed [CONFIDENTIAL MATERIAL REDACTED] except as stated in Article 7.1.3 below or delays under 7.1(c) above. In the event that a single postponement, or cumulative postponements, attributed to Customer exceed such maximum permissible postponement for the Launch Service, the Launch Service shall, at the election of Contractor, be subject to termination by Contractor in accordance with Article 21 of this Contract entitled "Termination."

7.1.3

[CONFIDENTIAL MATERIAL REDACTED]

7.1.4 RANGE SUPPORT: Should Range Support be initiated prior to the receipt of Customer's notice of postponement Customer will pay an amount of U.S. [CONFIDENTIAL MATERIAL REDACTED] to Contractor within thirty (30) days of receipt of the Contractor's invoice for such amount. Range Support, as used in the preceding sentences, means those activities conducted by the Contractor and/or United States Government in connection with a Launch Service as described in Exhibit A entitled "Statement of Work" and which are conducted no earlier than seven (7) days prior to Launch.

7.2 CONTRACTOR LAUNCH SCHEDULE ADJUSTMENTS: Without limiting the Contractor's rights under Article 8 of this Contract entitled "Excusable Delays", Contractor may postpone, for the reasons set forth in Articles 7.2(a), and 7.2(b) below, the Launch Period, Launch Slot or Launch Date previously determined under Article 6 entitled "Launch Schedule" by giving notice to Customer proposing a new Launch Period, Launch Slot or Launch Date. The Parties will cooperate in good faith to select a new Launch Period, Launch Slot or Launch Date. However, if the Parties cannot mutually agree within sixty (60) days of Contractor's proposal (or such shorter time period as Contractor may determine, in light of the proximity to the Launch), Contractor shall make such determination in good faith taking into account the available Launch Opportunities and the requirements and interests of Customer. Until the new Launch Period, Launch Slot or Launch Date is selected in accordance with this Paragraph 7.2, the then-current launch schedule shall remain in effect.

7.2(a)

[CONFIDENTIAL MATERIAL REDACTED]

7.2(b) Notwithstanding and in addition to the foregoing, the Contractor may postpone the Launch Period, Launch Slot or Launch Day, due to short delays occasioned by delays of launch(es) of other customers scheduled prior to the Customer's Launch.

7.2.3 If the final launch schedule adjustment results in a later Launch Period, Launch Slot or Launch Date, then the total number of calendar days of delay originally requested by Contractor shall be attributed to Contractor.

7.2.4 Total postponements by Contractor under this Article 7 shall not exceed a total of [CONFIDENTIAL MATERIAL REDACTED] In the event that a single postponement, or cumulative postponements, attributed to Contractor exceed such maximum permissible postponement, the Launch Service shall be subject to termination by Customer in accordance with Paragraph 21.2 entitled "Termination by Customer for Excessive Launch Postponement."

7.3 Reserved

7.4 EXCUSABLE DELAYS Days during which an Excusable Delay exists as defined in Article 8 entitled "Excusable Delays" and which affect the launch schedule will not be included in determining the length of a postponement attributable to either Contractor or Customer under this Article 7.

7.5 Reserved

7.6 POSTPONEMENTS ATTRIBUTED TO NON-COMPLYING PARTY UNDER ARTICLE 10 :
Should the failure of either Party to provide required data, hardware and services result in a delay to the launch schedule, then such non-complying Party shall be charged with a postponement under this Article 7 upon notice by the other Party. Requirements to provide data, hardware and services, delays and the length of postponement chargeable to the non-complying Party are described in Article 10 entitled "Additional Contractor and Customer Obligations Prior to Launch."

7.7 OBLIGATION TO GIVE PROMPT NOTICE Contractor and Customer acknowledge and agree that it is in the best interests of both Parties to promote certainty in launch schedule decisions and minimize disruption to other customers of Contractor. Therefore, the Parties agree to give prompt notice of any need for schedule change under this Article 7 or any actual or potential delay which might impact the launch schedule.

ARTICLE 8
EXCUSABLE DELAYS

8.1 EXCUSABLE DELAYS DEFINED Neither Party shall be liable to the other in the event of a delay in the performance of its obligations or commitments, and the date on which those obligations are to be fulfilled shall be extended for the period of time of such delay, when the delay was due to causes beyond the control and not due to the fault of negligence of the Party subject to the delay. Subject to the foregoing, Excusable Delays shall include, but not be limited to, the following: Acts of God, unforeseeable circumstances, acts (including delay or failure to act) of any governmental authority (de jure or de facto), inability of either Party to obtain any necessary export licenses, wars (declared or undeclared), riot, revolution, hijacking, fires, strikes, freight embargoes, labor stoppage, sabotage, epidemics, interruptions of essential services and supplies such as electricity, natural gas, fuels and water, adverse weather or launch safety conditions which do not permit launching, range availability, maintenance of appropriate clearance times between flights, delays due to any replacement launch required under any other customer agreement(s) with Contractor, inability to timely obtain from insurance underwriters necessary and proper third party liability insurance including insurance for damage to government property, or any condition which jeopardizes the safety of employees of Contractor, Customer or their respective Related Third Parties. Delays due to Atlas launch vehicle failures shall not be considered Excusable Delays.

8.2 NOTICE(S) OF EXCUSABLE DELAYS Contractor and Customer acknowledge and agree that it is in the best interests of both Parties to promote certainty in launch schedule decisions and minimize disruption to other customers of Contractor. Therefore, the Parties agree to give prompt notice of any actual or potential Excusable Delay under this Article 8.

ARTICLE 9
COORDINATION AND COMMUNICATION BETWEEN
CUSTOMER AND CONTRACTOR

9.1 PROJECT COORDINATORS Each Party hereby identifies to the other a single technical point of contact to coordinate the activities under this Contract. The technical points of contact are not authorized to direct work contrary to the requirements of this Contract or make modifications to this Contract. All modifications to the terms, conditions and requirements of this Contract shall be made pursuant to Article 25 entitled "Amendment."

Contractor's Technical Point of Contact is:
Mr. Marv Steinman
Mission Manager
Lockheed Martin Commercial Launch Services, Inc.
P.O Box 179
Denver Colorado 80201
303.977.0153-Telephone
303.971.2472-Facsimile

Customer's Technical Point of Contact is:
Mr. Rohan Zaveri
DBS Program Manager
Echostar Space Corporation
90 Inverness Circle East
Englewood, Colorado 80112
303.7999.8222 Ext 4714
303.799.9430-Facsimile

9.2 NOTICES All notices that are required or permitted to be given under this Contract shall be in writing and shall be delivered in person or sent by mail or air courier service, postage prepaid, to the representative and address set forth below, or to such other representative or address specified in a notice to the other Party. Notices shall be deemed effective upon delivery in person, or three (3) days after deposit in the mail or air courier service as described above if mailed within the continental United States, or seven (7) days after deposit in the mail or air courier service as described above, return receipt requested, if mailed to or from a location outside of the continental United States. Notices which are delivered other than as described above shall be effective on receipt.

Notices to Contractor:

Mr. Robert Scott
Manager of Commercial Contracts
Lockheed Martin Commercial Launch Services, Inc.
P.O. Box 179
Denver Colorado 80201
303.977.4961-Telephone
303.971.2472-Facsimile

Notices to Customer:

Mr. David Moskowitz
Senior Vice President and General Counsel
EchoStar Space Corporation
90 Inverness Circle East
Englewood, Colorado 80112
303.799.8222 Ext 5323
303.799.0354-Facsimile

9.3 COMMUNICATIONS IN ENGLISH: All documentation, notices, reports and correspondence under this Contract shall be submitted and maintained in the English language.

ARTICLE 10
ADDITIONAL CONTRACTOR AND CUSTOMER OBLIGATIONS
PRIOR TO LAUNCH

10.1 OBLIGATION TO PROVIDE INFORMATION Contractor shall provide to Customer the data, hardware and services identified in Section 6 of Exhibit A entitled "Statement of Work", and Customer shall provide to Contractor the data, hardware and services identified in Section 7 of Exhibit A, in accordance with the schedules contained therein. The data, hardware and services will be received in a condition suitable for their intended use.

10.2 REQUIREMENT TO CURE NON-COMPLIANCE In the event that data, hardware or services specified above are not received in accordance with the schedules set forth therein or such data, hardware or services are not suitable for their intended use when received, and such non-compliance has or is anticipated to negatively impact the launch schedule, in the reasonable judgment of the Party intended to receive such data, hardware or services, then the Party intended to receive the data, hardware or services shall promptly give notice to the non-complying Party of the non-compliance. The notice shall describe the non-compliance and recommend solutions. The non-complying Party shall respond within seven (7) days by giving notice that shall include, but not be limited to, the non-complying Party's statement that either (a) no non-compliance has occurred or (b) it has cured such non-compliance or has implemented a plan to cure such non-compliance within a reasonable period of time, the actual or estimated date by which such cure has been or will be completed and an analysis of the impact of such non-compliance on the other Party's continuing performance of its obligations under this Contract. Upon receipt of the non-complying Party's notice, the other Party shall use its best efforts to continue to perform its obligations under the Contract, minimize launch schedule disruption due to such non-compliance.

10.3 IMPACT OF NON-COMPLIANCE ON LAUNCH SCHEDULE If the non-complying Party's non-compliance results in a delay to the launch schedule, then the non-complying Party will be charged with a postponement under Article 7 entitled "Launch Schedule Adjustments" from the first date of the Launch Period, Launch Slot or Launch Date then in effect (unless a notice of a proposed change has been given) until the first day of the new Launch Period, Launch Slot or Launch Date determined in accordance with Article 7.

10.4 INTERFACE CONTROL DOCUMENT In the event the ICD is not available at the time of Contract execution, the Parties shall cooperate in good faith and within a reasonable time generate a mutually acceptable ICD that shall be designated as Exhibit B to this Contract upon such acceptance.

ARTICLE 11
FACTORY AND LAUNCH SITE ACCESS

11.1 RIGHT OF ACCESS Subject to appropriate security and safety limitations, Customer shall have access to the Atlas, Centaur and Customer's mission hardware final assembly areas to witness final acceptance activities. Customer will similarly have access to the Cape Canaveral Air Station (CCAS), Florida, launch complex and Satellite encapsulation area to witness major Customer-related mission tests and to attend regular coordination meetings. Major launch vehicle tests shall include the Wet Dress Rehearsal (WRD), Flight Event Demonstration (FED) and Combined Electrical Readiness Test (CERT).

ARTICLE 12
LICENSES, CLEARANCES AND PERMITS

12.1 RESPONSIBILITY FOR LICENSES, CLEARANCES AND PERMITS Each Party shall be responsible for obtaining any licenses, clearances or permits, and for taking any actions necessary to carry out its obligations under this Contract. Contractor shall be responsible for obtaining all governmental authorizations necessary for the performance of Contractor's obligations hereunder.

12.2 TRANSFERS OF TECHNICAL DATA Each Party shall be responsible for compliance with applicable United States Government regulations relating to the transfer of technical data to the other Party or to Third Parties.

12.3 Reserved

ARTICLE 13

COMPLIANCE WITH UNITED STATES GOVERNMENT REQUIREMENTS

13.1 CUSTOMER COMPLIANCE WITH REQUIREMENTS Contractor has executed agreements with various United States Government agencies for use of United States Government-owned property and facilities relating to the production of Launch Vehicles and launch operations at CCAS in Florida. Customer agrees that it will comply with the United States Government's laws and regulations as they relate to Customer-furnished property and personnel, and those agreements relating directly to the United States commercial expendable launch vehicle program. Contractor shall furnish copies of these agreements to Customer upon request. Customer will indemnify Contractor for any Customer violation of these laws, regulations or agreements. In furtherance of the foregoing, Customer shall, before Launch, execute and deliver the Agreement for Waiver of Claims and Assumption of Responsibility, the execution of which is required by the United States Department of Transportation as a condition of granting Contractor's license to Launch the Satellite.

13.2 GOVERNMENT NEED It is the policy of the United States Government to support the commercialization of domestic launch services by making available to United States launch services providers its launch-related facilities. However, both Customer and Contractor agree that, in the event of imperative national need as set forth in the CSLA, the United States Government may require use of United States Government or Contractor property and personnel. In event such use by the United States Government necessitates subsequent rescheduling of Customer's launch(es), Contractor will promptly notify Customer of the delay(s) and will reschedule any affected Launch(es) to accommodate all customers to the extent possible. Such delay shall be considered an Excusable Delay under Article 8. The United States Government shall not be liable to Customer for any costs or damages, including consequential damages, arising out of a delay caused by such priority use of property or personnel.

ARTICLE 14

COMPLETION OF CONTRACTOR'S OBLIGATION

14.1 COMPLETION OF LAUNCH SERVICES For a Launch Service in which Customer has not elected a Reflight Launch or Refund, the Launch Services to be provided under this Contract shall be considered complete upon Launch and the submission of data required by Exhibit A entitled "Statement of Work," Section 4.1.3, entitled "Post Launch Reports". Contractor assumes no other liabilities or obligations for launch performance.

14.2 COMPLETION OF LAUNCH SERVICES WHEN REFLIGHT OR REFUND ELECTED For a Launch Service in which Customer has elected Reflight Launch or Refund coverage, such Launch Service shall be considered complete upon a Success, or, in the event of a Total Failure, Constructive Total Failure or Partial Failure under Paragraph 19.5 entitled "Failure Review Board," shall be considered complete except for such Reflight Launch or Refund coverage. Contractor assumes no other liabilities or obligations for launch performance.

14.3 COMPLETION OF LAUNCH SERVICES WHEN REPLACEMENT LAUNCH ELECTED For a Launch Service in which the Customer has elected a Replacement Launch, such Launch Service shall be considered complete upon a Success, or in the event of a Launch Vehicle Mission Failure or Satellite Mission Failure under Article 20 entitled "Replacement Launch", shall be considered complete except for such Replacement Launch. Contractor assumes no further liabilities or obligations for launch performance.

ARTICLE 15
ALLOCATION OF CERTAIN RISKS

15.1 WAIVER OF LIABILITY

15.1.1 Contractor and Customer hereby agree to a reciprocal waiver of liability pursuant to which each Party agrees not to bring a claim in arbitration or otherwise or sue the other Party, the United States Government or Related Third Parties of the other Party for any property loss or damage it sustains and any property loss or damage, personal injury or bodily injury, including death, sustained by any of its employees, directors, officers and agents, arising in any manner in connection with the performance of or activities carried out pursuant to this Contract, or other activities in or around the launch site or Satellite processing area, or the operation or performance of the Launch Vehicle or the Satellite. Such waiver of liability shall also extend to any indirect special, incidental or consequential damages or other loss of revenue or business injury or loss resulting from any delay in Launch, damages to the Satellite before or after Launch or from the failure of the Satellite to reach its planned orbit or operate properly. In no event shall this reciprocal waiver of liability prevent or encumber enforcement of the Parties' contractual rights and obligations to each other under this Contract.

15.1.2 Claims of liability are waived and released regardless of whether loss, damage or injury arises from the acts or omissions, negligent or otherwise, of either Party or its Related Third Parties. This waiver shall extend to all theories of recovery, including in contract for property loss or damage, tort, product liability and strict liability.

15.1.3 Contractor and Customer shall each extend the waiver and release of claims of liability as provided in Paragraphs 15.1.1 and 15.1.2 to its Related Third Parties (other than employees, directors and officers) by requiring them to waive and release all claims of liability they may have against the other Party, its Related Third Parties, the United States Government and its contractors and subcontractors at every tier and to agree to be responsible for any property loss or damage, personal injury or bodily injury, including death, sustained by them arising in any manner in connection with the performance of or activities carried out pursuant to this Contract, or other related activities in or around the launch site or Satellite processing area, or the operation or performance of the Launch Vehicle or the Satellite.

15.1.4 The waiver and release by each Party and its Related Third Parties of claims of liability against the other Party and the Related Third Parties of the other Party extends to the successors and assigns, whether by subrogation or otherwise, of the Party and its Related Third Parties. Each Party shall obtain a waiver of subrogation and release of any right of recovery against the other Party and its Related Third Parties from any insurer providing coverage for the risks of loss for which the Party hereby waives claims of liability against the other Party and its Related Third Parties.

15.2 INDEMNIFICATION - PROPERTY LOSS AND DAMAGE AND BODILY INJURY

15.2.1 To the extent that such liability is not covered by an insurance policy of either Contractor or Customer, Contractor and Customer each agree to defend, hold harmless and indemnify the other Party and its Related Third Parties, for any liabilities, costs and expenses (including attorneys' fees, costs and expenses), arising as a result of claims brought by Related Third Parties of the indemnifying Party, for property loss or damage, personal injury or bodily injury, including death, sustained by such Related Third Parties, arising in any manner in connection with the activities carried out pursuant to this Contract, other activities in and around the launch site or the Satellite processing area, or the operation or performance of the Launch Vehicle or the Satellite. Such indemnification shall extend to any claim for indirect damages, consequential damages or other loss of revenue or business injury or loss resulting from any loss of or damage to the Satellite before or after launch or from the failure of the Satellite to reach its planned orbit or operate properly.

15.2.2 To the extent that such claims of liability are not covered by the third party liability insurance referred to in Paragraph 16.1 entitled "Third Party Liability Insurance," or an insurance policy of either Contractor or Customer or not paid by the United States Government (as provided in Paragraph 16.2 entitled "Insurance Required by Launch License"), Contractor will defend, hold harmless and indemnify Customer and its Related Third Parties for any and all claims of Third Parties, for property loss or damage, personal injury or bodily injury, including death, arising in any manner from the operation or performance of the Launch Vehicle.

15.2.3 To the extent that such claims of liability are not covered by the third party liability insurance referred to in Paragraph 16.1 entitled "Third Party Liability Insurance," or an insurance policy of either Contractor or Customer or not paid by the United States Government (as provided in Paragraph 16.2 entitled "Insurance Required by Launch License,"), Customer will defend, hold harmless and indemnify Contractor and its Related Third Parties for any and all claims of Third Parties, for property loss or damage, personal injury or bodily injury, including death, arising in any manner from the operation or performance of the Satellite or from any claim for indirect damages, consequential damages or other loss of revenue or business injury or loss resulting from any loss of or damage to the Satellite before or after Launch or from the failure of the Satellite to reach its planned orbit or operate properly.

15.2.4 Notwithstanding Paragraphs 15.2.2 and 15.2.3 above, Contractor shall not be obligated to defend, hold harmless or indemnify Customer for any claim brought by a Third Party against Customer resulting from any damage to or loss of the Satellite, whether sustained before or after Launch and whether due to the operation, performance, non-performance or failure of the Launch Vehicle or due to any other causes. Customer shall defend, hold harmless and indemnify Contractor for any claims brought by Third Parties against Contractor for damage to or loss of the Satellite, whether sustained before or after Launch or whether due to the operation, performance, non-performance or failure of the Launch Vehicle or due to other causes.

15.2.5 The indemnification provided by this Article for property loss or damage, personal injury or bodily injury extends to all damage or injury regardless of whether such loss, damage or injury arises from the acts or omissions, whether negligent or otherwise, of either Party.

15.2.6 The right of either Party or Related Third Parties to indemnification under this Article is not subject to subrogation or assignment and either Party's obligation set forth herein to indemnify the other Party or Related Third Parties extends only to that Party or those Related Third Parties and not to others who may claim through them by subrogation, assignment or otherwise.

15.3 INDEMNIFICATION BY UNITED STATES GOVERNMENT

15.3.1 The Parties recognize that under the CSLA and subject thereto, the Secretary of Transportation shall, to the extent provided in advance in appropriations acts or to the extent there is enacted additional legislative authority to provide for the payment of claims, provide for the payment by the United States Government of successful claims (including reasonable expenses of litigation or settlement) of a Third Party against Contractor or subcontractors, or Customer or its contractors or subcontractors, resulting from activities carried out pursuant to a license issued or transferred under the CSLA for death, bodily injury, or loss of or damage to property resulting from activities carried out under the license, but only to the extent that the aggregate of such successful claims arising out of the Launch:

15.3.1.1 is in excess of the amount of insurance or demonstration of financial responsibility required of Contractor under its license issued pursuant to the CSLA; and

15.3.1.2 is not in excess of the level that is \$1,500,000,000 (plus any additional sums necessary to reflect inflation occurring after January 1, 1989) above the required amount of insurance or demonstration of financial responsibility required by the CSLA.

15.3.2 Contractor makes no representation or warranty that any payment of claims by the United States Government will be available pursuant to the CSLA. Contractor's sole obligation is the good faith effort to obtain such payment as may be available from the United States Government.

15.4 INDEMNIFICATION - INTELLECTUAL PROPERTY INFRINGEMENT

15.4.1 Contractor shall defend, hold harmless and indemnify Customer and its Related Third Parties for any and all claims resulting from the infringement, or claims of infringement, of the patent rights or any other intellectual property rights of a Third Party, that may arise from Contractor's provision of Launch Services.

15.4.2 Customer shall defend, hold harmless and indemnify Contractor and its Related Third Parties for any and all claims resulting from the infringement, or claims of infringement, of the patent rights or any other intellectual property rights of a Third Party, that may arise from the design, manufacture, launch or operation of Customer's Satellite.

15.5 RIGHTS AND OBLIGATIONS The rights and obligations specified in Paragraphs 15.2 and 15.3 shall be subject to the following conditions:

15.5.1 The Party seeking indemnification shall promptly advise the other Party in writing of the filing of any suit, or of any written or oral claim alleging an infringement of any Related Third Party's or any Third Party's rights, upon receipt thereof; and shall provide the indemnitor, at the indemnitor's request and expense, with copies of all relevant documentation.

15.5.2 The Party seeking indemnification shall not make any admission nor shall it reach a compromise or settlement without the prior written approval of the other Party, which approval shall not be unreasonably withheld or delayed.

15.5.3 The Party required to indemnify, defend and hold the other harmless shall assist in and shall have the right to assume, when not contrary to the governing rules of procedure, the defense of any claim or suit or settlement thereof, and shall pay all reasonable litigation and administrative costs and expenses, including attorney's fees, incurred in connection with the defense of any such suit, shall satisfy any judgments rendered by a court of competent jurisdiction in such suits, and shall make all settlement payments.

15.5.4 The indemnitee may participate in any defense at its own expense, using counsel reasonably acceptable to the indemnitor, provided that there is no conflict of interest and that such participation does not otherwise adversely affect the conduct of the proceedings.

15.6 INCONSISTENCY WITH GOVERNMENT AGREEMENT In the event of any inconsistency between any provision of Article 16 "Insurance" and the Agreement for Waiver of Claims and Assumption of Responsibility referred to in Paragraph 13.1, such Agreement shall be construed and interpreted so as to be made consistent with this Contract.

15.7 SURVIVAL OF OBLIGATIONS All indemnities, obligations, liabilities and payments provided for in this Article 15 shall survive, and remain in full force and effect, notwithstanding the expiration or other termination of this Contract and, subject to the limitations set forth in this Article 15, notwithstanding any other provision of this Contract to the contrary.

ARTICLE 16 INSURANCE

16.1 THIRD PARTY LIABILITY INSURANCE Contractor shall procure and maintain in effect insurance for third party liability to provide for the payment of claims resulting from property loss or damage or bodily injury, including death, sustained by Third Parties in connection with the performance of this Contract by either Party or the Related Third Parties of either Party or by the United States Government. The insurance shall have a limit of U.S. \$164,000,000 per occurrence and in the aggregate, or such other amount as may be required by the United States Department of Transportation. Coverage for damage, loss or injury arising in any manner in connection with the services provided under this Contract shall attach upon arrival of the Launch Vehicle at CCAS and for third party liability arising in any manner in connection with the handling, processing or Launch of the Satellite will attach from the time the Satellite is under the care, custody and control of Contractor or its subcontractors. Coverage for third party liability will terminate upon the return of all parts of the Launch Vehicle to Earth or twelve (12) months, whichever is earlier and for the Satellite, shall terminate twelve (12) months following the date of Launch unless the Satellite is removed from the Satellite processing area or CCAS other than by Launch, in which case, coverage shall extend only until such removal. Such insurance shall not cover loss of or damage to the Satellite even if such claim is brought by any Third Party or Related Third Parties. Such insurance also shall not pay claims made by the United States Government for loss of or damage to United States Government property in the care, custody and control of Customer or Contractor.

16.2 INSURANCE REQUIRED BY LAUNCH LICENSE Contractor shall provide such insurance as is required by the launch license issued by the United States Department of Transportation for loss of or damage to United States Government property.

16.3 MISCELLANEOUS REQUIREMENTS The Third Party liability insurance shall name as named insured Contractor and as additional insured Customer and the respective Related Third Parties of the Parties identified by each Party, the United States Government and any of its agencies. Such insurance shall provide that the insurers shall waive all rights of subrogation that may arise by contract or at law against any named insured or additional insured.

ARTICLE 17
LIMITATION OF LIABILITY AND WARRANTY

17.1 NO REPRESENTATIONS OR WARRANTIES EXCEPT AS EXPRESSLY PROVIDED IN THIS ARTICLE 17, CONTRACTOR HAS NOT MADE NOR DOES IT MAKE ANY REPRESENTATION OR WARRANTY, WHETHER WRITTEN OR ORAL, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF DESIGN, OPERATION, CONDITION, QUALITY, SUITABILITY OR MERCHANTABILITY OR OF FITNESS FOR USE OR FOR A PARTICULAR PURPOSE, ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, WITH REGARD TO THE SUCCESS OF ANY LAUNCH OR OTHER PERFORMANCE OF ANY LAUNCH SERVICE(S) HEREUNDER.

17.2 EXCLUSION OF LIABILITY WITHOUT LIMITING OR CREATING EXCEPTIONS TO THE RECIPROCAL WAIVER OF LIABILITY SET FORTH IN ARTICLE 15, OR THE EXCLUSIVE REMEDIES SET FORTH IN ARTICLE 18, (1) IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER AND TO PERSONS CLAIMING BY OR THROUGH SUCH PARTY UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY, NEGLIGENCE OR UNDER ANY OTHER LEGAL OR EQUITABLE THEORY FOR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION, COSTS OF EFFECTING COVER, LOST PROFITS, LOST REVENUES OR COSTS OF RECOVERING A PAYLOAD, ARISING OUT OF OR RELATING TO THIS CONTRACT; AND (2) IN NO EVENT SHALL CONTRACTOR'S LIABILITY TO CUSTOMER FOR ANY CLAIM ARISING OUT OF OR RELATING TO THIS CONTRACT, INCLUDING, WITHOUT LIMITATION, ANY CLAIM FOR TERMINATION, EXCEED THE AMOUNT OF THE CONTRACT PRICE PAID BY CUSTOMER AS OF THE DATE OF SUCH CLAIM.

ARTICLE 18
REMEDIES AND LIMITATIONS ON REMEDIES

The exclusive remedy for a Total Failure, Constructive Total Failure or Partial Failure as determined under Paragraph 19.5 entitled "Failure Review Board" shall be either Reflight Launch or Refund coverage, if Customer has elected such protection under Article 19 entitled "Reflight or Refund." The exclusive remedy for a Launch Vehicle Mission Failure or a Satellite Mission Failure shall be a Replacement Launch, if customer has elected such protection under Article 20 of this Contract entitled "Replacement Launch". The exclusive rights and remedies of Customer to terminate this Contract for convenience or in the event of excessive launch postponements by Contractor are described in Paragraph 21.1 entitled "Termination by Customer for Convenience" and Paragraph 21.2 entitled "Termination by Customer for Excessive Launch Postponements", respectively. The exclusive rights and remedies of Contractor to terminate this Contract in the event of nonpayment or excessive launch postponement by Customer are described in Paragraph 21.3 entitled "Termination by Contractor for Nonpayment" and Paragraph 21.4 entitled "Termination by Contractor for Excessive Launch Postponement", respectively.

ARTICLE 19
REFLIGHT OR REFUND

19.1 REFLIGHT LAUNCH OR REFUND There is a single Launch Service Price for the Launch Service to be provided. No later than one hundred and twenty (120) days prior to the Launch Date, Customer may elect either Reflight Launch or Refund protection in accordance with this Article 19 by giving notice to the Contractor, which protection will be available in the event of a Total Failure, Constructive Total Failure or Partial Failure as determined under Paragraph 19.5 entitled "Failure Review Board."

19.2 TERMS GOVERNING REFLIGHT LAUNCH The following conditions will apply if Customer has elected Reflight Launch protection:

19.2.1 Immediately upon election of Reflight Launch protection, the Contract Price specified in Article 4.1 of this Contract shall be adjusted to include the Reflight Launch Fee as set forth in Article 4.1. Payment of the Reflight Launch Fee shall be made to the Contractor within thirty (30) days of the Contractor's invoice. The Contractor will invoice fifty percent (50%) of the Reflight Fee upon the Customer's election and the remaining fifty percent (50%) sixty (60) days prior to Launch.

19.2.2 One (1) Reflight Launch will be provided in the event that a Launch is a Total Failure or Constructive Total Failure only and not for a Partial Failure, all as determined under Paragraph 19.5 entitled "Failure Review Board." Any Reflight Launch(es) to which Customer may be entitled under this Contract shall be deemed to be Launches for all purposes under this Contract, except that Customer shall not be entitled to a second Reflight Launch following a failure of a Reflight Launch.

19.2.3 Contractor will conduct a Reflight Launch within twelve (12) months of notice from Customer requesting such Reflight Launch taking into account all the requirements for a Launch Opportunity.

19.2.4 Reflight Launch protection does not include the cost of the replacement Satellite.

19.2.5 The Reflight Launch will be governed by the terms and conditions of this Contract, except for Article 4 entitled "Contract Price" and Article 5 entitled "Payment."

19.2.6 The configuration and mission requirements of the replacement Satellite must conform to the mission description contained in Exhibit B entitled "Interface Control Document." In the event the satellite does not conform as stated above, the Parties will negotiate in good faith an equitable adjustment to accommodate changes to the satellite, if possible.

19.3 TERMS GOVERNING REFUND The following conditions will apply if Customer elects Refund protection:

19.3.1 Immediately upon election of Refund protection, the Contract Price specified in Article 4.1 of this Contract shall be adjusted to include the Refund Fee as set forth in Article 4.1. Payment of the Refund Fee shall be made to the Contractor within thirty (30) days of the Contractor's invoice. The Contractor will invoice fifty percent (50%) of the Reflight Fee upon the Customer's election and the remaining fifty percent (50%) sixty (60) days prior to Launch.

19.3.2 In the event that the Launch Service is a Total Failure or Constructive Total Failure, as determined under Paragraph 19.5 entitled "Failure Review Board," Contractor shall pay to Customer a Refund equal to the Launch Service Price payments received by Contractor.

19.3.3 In the event that the Launch Service is a Partial Failure, as determined under Paragraph 19.5 entitled "Failure Review Board," Contractor shall pay to Customer a Refund equal to a prorated amount of the Launch Service Price payments received by Contractor. The proration to be applied to determine the appropriate Refund shall be calculated as follows:

$$\text{Proration} = 2.5 \times (90 - C_p)$$

Where, C_p (capability percentage) equals the percentage of planned lifetime or operational capacity expected after Partial Failure.

19.3.4 Refunds will be paid within sixty (60) days after a Partial Failure, Total Failure or Constructive Total Failure, as the case may be, is confirmed under Paragraph 19.5 entitled "Failure Review Board."

19.3.5 In no event shall the aggregate amount of any Refund in connection with a Launch Service exceed the Launch Service Price therefor.

19.4 TERMS APPLICABLE TO BOTH REFLIGHT LAUNCH AND REFUND

19.4.1 The Reflight Launch or Refund protection will attach upon Launch and will terminate upon the earliest to occur of (a) a Total Failure or Constructive Total Failure, in the case of Reflight Launch or Refund protection, (b) Partial Failure in the case of Refund protection, or (c) Satellite Separation. Damage to the Satellite following Satellite Separation but caused by the Launch Vehicle shall be deemed to have occurred prior to separation for purposes of Reflight Launch or Refund protection.

19.4.2 Customer will at all times act with due diligence and will do all things practicable and reasonable to avoid or diminish any loss or degradation of the lifetime or operational capability of the Satellite. Prior to Launch, Customer will provide to Contractor all information including, but not limited to, Satellite specifications, operating conditions, performance parameters and changes thereto which could materially affect the risk of loss of or damage to the Satellite or Launch Vehicle to the full extent such information is provided to the Customer by the satellite manufacturer, or otherwise developed by the Customer. Both before and after Launch, Customer will respond to all reasonable written requests by Contractor for information and/or certifications relating to Satellite design, test, and quality control. In the event Contractor determines, in its reasonable judgment, that Customer's Satellite specifications, operating conditions, performance parameters and/or changes thereto would affect the risk of loss of or damage to the Satellite or the Launch Vehicle, then Contractor shall be entitled to renegotiate the terms of this Article 19, including but not limited to a change in the fees chargeable for such Reflight Launch or Refund protection, or to terminate such protection and return all fees paid to date for such protection to Customer.

19.4.3 If Contractor has not already convened a Failure Review Board, then in the event Customer believes a Total Failure, Constructive Total Failure or Partial Failure has occurred for which it is entitled to a Reflight Launch or Refund as applicable hereunder, Customer shall give written notice of the occurrence to Contractor as soon as possible, but in no event later than the earlier of (a) thirty (30) days after a Corporate Officer or Director of Customer becomes aware of the occurrence and (b) one hundred and eighty (180) days after the termination of risk specified in Paragraph 19.4.1. If Customer believes the occurrence entitles it to claim a Reflight Launch or Refund as applicable hereunder, Customer shall deliver to Contractor a sworn and notarized proof of loss in such form and including such information as Contractor may reasonably require and request as soon as practicable, but in no event later than one hundred and eighty (180) days after the delivery of the notice of occurrence.

19.4.4 In the event that any Refund, whether total or partial, is made to Customer and it is later determined that the anticipated degradation of the lifetime or operational capability of the Satellite is reduced or eliminated, Customer will return to Contractor, within forty five (45) days of such determination, an amount such that the Refund retained by Customer equals the amount that would have been paid for the extent of degradation as revised. Reasonable sums expended by the Customer to reduce the extent of degradation shall be deducted from the amount to be returned to the Contractor.

19.4.5 In the event that a Reflight Launch is provided to Customer and it is later determined that the original Launch Service described in Article 2 entitled "Services To Be Provided" for which such Reflight Launch was provided is no longer a Total Failure or Constructive Total Failure, as determined by the Failure Review Board described in Paragraph 19.5 entitled "Failure Review Board," then Customer will compensate Contractor for the Reflight Launch by paying to Contractor the Launch Service Price chargeable for the original Launch Service within thirty (30) days of Contractor's invoice for such amount. Reasonable sums expended by the Customer to reduce the extent of degradation shall be deducted from the amount to be returned to the Contractor.

19.4.6 In the event that a Launch Service is declared a Constructive Total Failure or Partial Failure and a Reflight Launch, in the case of a Constructive Total Failure or Refund is provided by Contractor, Contractor shall be entitled to any salvage value of the Satellite to the extent of such Refund or value of such Reflight Launch. Such recovery shall be in proportion with any salvage recovery due to Satellite insurers as a result of any claim paid under the Satellite insurance program. Salvage value shall extend to any profits derived from the sale, lease, or other use or disposal of the Satellite or any portion thereof.

19.4.7 No later than ninety (90) days prior to the established Launch Date for any Launch Service, Customer may replace an elected Refund with a Reflight Launch or an elected Reflight Launch with a Refund. In no event may a Refund or Reflight Launch be canceled in total. Customer must give notice to Contractor of its desire to replace a Reflight Launch with a Refund or replace a Refund with a Reflight Launch. The Contract Price will be adjusted to reflect the change in fees chargeable for such changed coverage. The credit or debit that results from a change to either Reflight Launch or Refund will be paid within thirty (30) days of Contractor's invoice for payment.

19.4.8 The right of Customer to a Reflight Launch or Refund shall be deemed to be lost and null and void if Customer conceals or misrepresents, in writing or otherwise, any material fact or circumstance concerning the Satellite.

19.4.9 Contractor shall have no obligation to provide a Reflight Launch or Refund under this Article 19 for any loss, damage or failure caused by or resulting from:

19.4.9.1 War, hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending, or expected attack by any government or sovereign power (de jure or de facto); any authority maintaining or using a military, naval or air force; a military, naval or air force; or any agent of any such government, power, authority or force.

19.4.9.2 Any anti-satellite device or device employing atomic or nuclear fission and/or fusion, or device employing laser or directed energy beams.

19.4.9.3 Insurrection, strikes, riots, civil commotion, rebellion, revolution, civil war, usurpation or action taken by a government authority in hindering, combating or defending against such an occurrence whether there be a declaration of war or not.

19.4.9.4 Confiscation by order of any government or governmental authority or agency (whether secret or otherwise), or public authority.

19.4.9.5 Nuclear reaction, nuclear radiation or radioactive contamination of any nature, whether such loss or damage be direct or indirect, except for radiation naturally occurring in the space environment.

19.4.9.6 Electromagnetic or radio frequency interference, except for physical damage to the Launch Vehicle and/or directly resulting from such interference.

19.4.9.7 Willful or intentional acts of Customer, or any person authorized by Customer (except the Range Safety Officer) to have access to the Satellite and/or Launch Vehicle, designed to cause loss or failure of the Satellite and/or Launch Vehicle.

19.4.9.8 Loss of revenue, extra expenses, incidental damages or consequential damages.

19.4.9.9 Claims made against Customer by third parties.

19.4.9.10 Any exclusions in addition to the foregoing or any modifications thereto as are customary in first-party launch insurance contracts.

19.5 FAILURE REVIEW BOARD In the event of a suspected Partial Failure, Total Failure or Constructive Total Failure, implementation of this Article 19 shall be based on the findings of the Failure Review Board. Customer will receive notice of the findings of the Failure Review Board. If Contractor has not already convened a Failure Review Board to evaluate a suspected Total Failure, Constructive Total Failure or Partial Failure, then Customer may give notice to Contractor requesting that a Failure Review Board be convened.

19.5.1 The Failure Review Board shall consist of those technical disciplines determined by Contractor to be necessary to assess the failure, its cause and necessary corrective action, if any, required for future launches. Customer may provide representation to the Failure Review Board, but such representation shall be limited to data review, consultation and recommendation only. Customer will provide evidence of the damage, if any, to the Satellite as a result of the failure. The Failure Review Board shall make a determination of whether there has been a Partial Failure, Total Failure or Constructive Total Failure and, in making such determination, shall consider favorably the agreement of any insurers providing coverage for such events to pay claims arising therefrom.

19.5.2 In the event the Failure Review Board fails to render a decision within ninety (90) days of the Launch or Customer and Contractor do not otherwise reach mutual agreement as to occurrence of a Total Failure, Constructive Total Failure or Partial Failure, or in the event Customer disagrees with the findings of the Failure Review Board, both Customer and Contractor shall promptly and without undue delay, each appoint an expert in the field who is not associated with either Customer or Contractor. The two (2) experts shall review all of the materials provided to the Failure Review Board and, following this review, transmit their findings in writing to Customer and Contractor at the same time. In the event of disagreement between the two (2) experts, these experts shall appoint a third expert who shall review the materials provided to the Failure Review Board, and all decisions of this panel of three experts shall be by majority vote. In the event the experts fail to agree upon appointment of a third expert within thirty (30) days of written notice by Customer and Contractor to appoint a third expert, Customer and Contractor agree to allow (_____) to select such third expert. Customer and Contractor agree to be bound by the findings and/or appraisal of the first two experts provided for under this Article or, if the first two experts should disagree, by the majority vote of the three experts provided for under this Article. Customer and Contractor shall each be responsible for the cost of the selection and use of their respective appointed expert, and both Customer and Contractor shall share equally the cost of the selection and use of the third expert. The initial two experts, and the panel of three experts if necessary, shall conduct their review and determination in accordance with the rules of the American Arbitration Association for resolution of disputes for commercial contracts.

*to be agreed to between Customer and Contractor.

ARTICLE 20 REPLACEMENT LAUNCH

20.1 TERMS GOVERNING REPLACEMENT LAUNCH The Customer may request a Replacement Launch for a Launch Vehicle Mission Failure or Satellite Mission Failure, provided that the Satellite Mission Failure must occur prior to the completion of Satellite check-out.

20.1.1 Contractor will conduct the Replacement Launch within twelve (12) months of notice from Customer requesting such Replacement Launch, taking into account all the requirements for a Launch Opportunity.

20.1.2 The Replacement Launch does not include the cost of a replacement satellite.

20.1.3 The Replacement Launch will be governed by the terms of this Contract. The Replacement Launch shall be deemed a Launch Service for all purposes under this Contract, except that the Customer shall not be entitled to a second replacement launch following a failure of the Replacement Launch. Article 19 "Reflight or Refund" shall not apply to the Replacement Launch.

20.1.4 The Contract Price and corresponding payment schedule for the Replacement Launch will be determined by mutual agreement of the Parties within sixty (60) days of Customer's notice requesting a Replacement Launch. In the event the Parties have been unable to mutually agree on a Contract Price for a Replacement Launch within such period of time after reasonable attempts to do so, then this Article 20 shall be deemed to be terminated and Contractor shall be released from its obligation to provide a Replacement Launch.

20.1.5 The configuration and mission requirements of the replacement satellite must conform to the mission description contained in Exhibit B "Interface Control Document".

20.2 Contractor shall not be obligated to provide a Replacement Launch to Customer in the event that Customer is entitled to a Reflight Launch under the provisions of Article 19 of this Contract.

ARTICLE 21
TERMINATION

21.1 TERMINATION BY CUSTOMER FOR CONVENIENCE Customer may terminate the Launch Service under this Contract for any reason following written notice to Contractor given at least thirty (30) days prior to the then-scheduled Launch Period, Launch Slot or Launch Date. If Customer terminates the Launch under this Paragraph 21.1, Contractor shall be entitled to retain the Termination Charge set forth in Paragraph 21.6.

21.2 TERMINATION BY CUSTOMER FOR EXCESSIVE LAUNCH POSTPONEMENTS Customer may terminate the Launch Service under this Contract if: (a) Contractor has actually postponed or provided notice of postponement of such Launch Service under Article 7 entitled "Launch Schedule Adjustments" for longer than the permissible postponements under said Article. If Customer does not provide a notice of termination to Contractor within sixty (60) days of postponement or notice of postponement by Contractor, Customer waives its right to terminate the postponed Launch Service under this Paragraph 21.2 unless Contractor further postpones the Launch Service under Article 7. If Customer terminates a Launch Service in accordance with this Paragraph 21.2, Contractor shall reimburse Customer for all payments made to Contractor for such Launch Service.

21.3 TERMINATION BY CONTRACTOR FOR NON-PAYMENT Contractor may terminate the Launch Service under this Contract if Customer fails to make any payment to Contractor relating to such Launch Service on the due date as required by this Contract, provided Customer fails to remedy such non-payment within thirty (30) days of notice from Contractor describing such non-payment and stating Contractor's intent to terminate the Launch Service. If Contractor terminates a Launch Service in accordance with this Paragraph 21.3, Contractor shall be entitled to retain the Termination Charge set forth in Paragraph 21.6.

21.4 TERMINATION BY CONTRACTOR FOR EXCESSIVE LAUNCH POSTPONEMENTS

Contractor may terminate the Launch Service under this Contract if: (a) Customer has actually postponed or given notice of postponement of such Launch Service under Article 7 entitled "Launch Schedule Adjustments" for more than the permissible postponements under said Article. If Contractor does not provide a notice of termination to Customer within sixty (60) days of postponement or notice of postponement by Customer, Contractor waives its right to terminate the postponed Launch Service under this Paragraph 21.4 unless Customer further postpones the Launch Service under Article 7. If Contractor terminates a Launch Service in accordance with this Paragraph 21.4, Contractor shall be entitled to retain the Termination Charge set forth in Paragraph 21.6.

21.5 TERMINATION DATE The effective termination date of any Launch Service terminated under this Article 21 shall be the effective date of notice of termination.

21.6 TERMINATION CHARGE If a Launch Service is terminated in accordance with the provisions of Paragraphs 21.1, 21.3 or 21.4, Contractor shall be entitled to a Termination Charge equal to [CONFIDENTIAL MATERIAL REDACTED] of all amounts paid or payable under Article 5 entitled "Payment" as of the effective termination date for the terminated Launch Service, [CONFIDENTIAL MATERIAL REDACTED] If such effective termination date falls between the payment due dates, the Termination Charge attributable to such partial period shall be prorated through the effective termination date. Customer will pay to Contractor any unpaid portion of the Termination Charge within thirty (30) days of Contractor's invoice. Contractor shall refund to Customer any amount paid under this Contract for the terminated Launch Service(s) in excess of the Termination Charge within thirty (30) days of the effective termination date for such Launch Service.

21.7 EFFECT OF TERMINATION If either Party terminates a Launch Service [or this Contract] under this Article 21, both Parties' obligations under this Contract with respect to such Launch Service(s) shall be discharged as of the Launch Service effective termination date except that the Contractor's obligation to refund payments in accordance with Article 21.2, and Customer's obligation to pay the Termination Charge described in Paragraph 21.6, as the case may be, shall survive the termination of this Contract.

ARTICLE 22
ARBITRATION

22.1 NOTICE OF ARBITRATION If any controversy or claim arising out of or relating to this Contract or the breach thereof, including controversies concerning the validity, scope or enforceability of this provision, fails to be resolved through negotiation or mediation within a period of sixty (60) days, then upon written notice by any Party, such controversy or claim shall be settled by arbitration in accordance with the terms and conditions of this Article 22.

22.2 RULES Arbitration proceedings in connection with this Contract shall be administered by the American Arbitration Association in accordance with its then in effect Commercial Arbitration Rules of the American Arbitration Association, together with any relevant supplemental rules including but not limited to its Supplementary Procedures for International Commercial Arbitration, as modified by the terms and conditions of this Contract.

22.3 LANGUAGE Arbitration proceedings in connection with this Contract shall be conducted in the English language, provided that at the request and expense of the requesting Party, documents and testimony shall be translated into any language specified by the requesting Party.

22.4 SELECTION OF ARBITRATORS Arbitration proceedings in connection with this Contract shall be conducted before a panel of three (3) arbitrators. Within fifteen (15) days after the notice of arbitration, each Party shall select one person to serve as an arbitrator on the panel, and within ten (10) days of their selection, the two arbitrators shall select a third arbitrator, who shall serve as chairman of the arbitration panel.

22.5 LOCALE OF MEETINGS All meetings for arbitration proceedings in connection with this Contract shall be held in Washington, D.C

22.6 INJUNCTIVE RELIEF Either Party to this Contract may make an application to the arbitrators seeking injunctive relief until such time as the arbitration award is rendered or the controversy or claim is otherwise resolved.

22.7 DISCOVERY The arbitrators shall have the discretion to order a pre-hearing exchange of information by the Parties, including without limitation production of requested documents, exchange of summaries of testimony of proposed witnesses.

22.8 CONSOLIDATION Arbitration proceedings in connection with this Contract may be consolidated with arbitration proceedings pending between a Party and any Subcontractor if the arbitration proceedings arise out of the same transaction or relate to the same subject matter and if such Party and Subcontractors are bound by an arbitration agreement which is substantially similar to that contained in this Contract. If proceedings are consolidated, all references to Party in this Article shall also mean Subcontractor.

22.9 AWARD AND JUDGMENT The arbitrators shall have no authority to award punitive damages, or any other damages except as authorized under the express terms and conditions of this Contract. Subject to the foregoing, the Parties agree that the judgment of the arbitrators shall be final and binding upon the Parties, and that judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction over the Parties or their assets or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be.

22.10 CONFIDENTIALITY Without the prior written consent of all Parties to any arbitration proceeding in connection with this Contract, no Party or arbitrator may disclose (a) the existence, content, or results of such proceeding; or (b) any information or documents disclosed by any Party in connection with such proceeding.

22.11 FEES AND EXPENSES All fees and expenses of any arbitration proceedings in connection with this Contract shall be borne by the Parties equally. However, each Party shall bear the expense of its own counsel, experts, witnesses, and preparation and presentation of evidence.

ARTICLE 23 CONFIDENTIALITY

23.1 CONTRACT PROVISIONS

23.1.1 Each Party shall make reasonable efforts to assure that its employees do not disclose the terms or conditions of this Contract, except as may be required to perform this Contract, to acquire insurance or the benefit thereof, in support of arbitration or legal proceedings relating hereto, as required by their respective governments, or in the normal course of reporting to its parent company.

23.1.2 No publicity or information regarding this Contract will be given or released without the prior written consent of the other Party. Consent to release of information by either Party shall not be unreasonably withheld.

23.2 PROPRIETARY DATA It is recognized that Customer and Contractor each will have developed technical information relating to the mating and launching of the Launch Vehicle and the Satellite which will be exchanged between the Parties. To the extent that such data is considered "Proprietary Information" by either Party, such disclosures shall be handled in accordance with this Article 23.

23.2.1 "Proprietary Information" (i) shall be that information, data or material in written form which is conspicuously marked "Proprietary," and which is delivered by Contractor or by Customer, as the case may be, to the representative designated for receipt thereof by the other Party, as set forth in Article 9.1 of this Contract and (ii) shall include all copies in whole or in part made of such information, data or material or derivative uses thereof. Oral disclosure, if identified as "Proprietary Information" prior to disclosure, will be treated as proprietary under this Article provided that the oral information is reduced to writing and a copy marked as "Proprietary" is sent to the recipient within thirty (30) days of such disclosure.

23.2.2 Each Party agrees not to use the other Party's Proprietary Information for any purpose other than for the performance of this Contract. Any other use or disclosure of such Proprietary Information shall be made only upon prior written consent of the other Party.

23.2.3 Each Party agrees to restrict disclosures of the Proprietary Information of the other Party to only those having a need to know in the performance of this Contract and to have all such Proprietary Information protected with reasonable care such as that care normally used to protect its own Proprietary Information within its own organization. If such care is used, the recipient shall not be liable for the unauthorized disclosure of Proprietary Information.

23.2.4 The aforementioned restrictions on use and disclosure of Proprietary Information will not apply:

23.2.4.1 If either Party can show that the Proprietary Information received from the other is or has become generally available through the public domain without fault of such Party;

Lockheed Martin Commercial Launch Series Proprietary Data

- 23.2.4.2 If the Proprietary Information is in a written record in one Party's files prior to its receipt from the other Party and is not otherwise restricted as to its use or disclosure;
- 23.2.4.3 If either Party at any time lawfully obtains the Proprietary Information in writing from a Third Party under circumstances permitting its disclosure;
- 23.2.4.4 If the Proprietary Information is disclosed with the prior written consent of the other Party, provided such disclosure complies in all respects with the terms of the written consent;
- 23.2.4.5 When the Proprietary Information is disclosed more than six (6) years after the date of receipt of the information.

23.2.5 Upon termination or expiration of this Contract, the Parties, within a reasonable period of time, will return all Proprietary Information received from the other Party under the terms of this Contract or certify that all the Proprietary Information has been destroyed.

23.2.6 It is understood that neither Party assumes any liability to the other for damages arising from the other Parties use of or reliance upon any Proprietary Information disclosed pursuant to this Article except as provided elsewhere herein.

ARTICLE 24
PATENT AND DATA RIGHTS

Neither Party will acquire, as a result of the services to be provided under this Contract, any rights to the inventions, patents, copyrights, or other technical property or any rights to the proprietary data of the other Party or the Related Third Parties of the other Party, except as set forth elsewhere in this Contract.

ARTICLE 25
AMENDMENT

Except as may be specifically provided elsewhere in this Contract, any amendment, modification or change to this Contract, including but not limited to launch requirements, changes in quantity or schedule adjustments, may only be made in writing and upon mutual agreement of Customer and Contractor.

ARTICLE 26
GOVERNING LAW

This Contract shall be governed by and construed in accordance with the laws of the State of Colorado, exclusive of that jurisdiction's choice of law rules. The provisions of the United Nations Convention for the International Sale of Goods shall not be applicable to this Contract.

ARTICLE 27
WAIVER OF BREACH

The failure of either Party, at any time, to require performance of the other Party of any provision of this Contract shall not waive the requirement for such performance at any time thereafter.

ARTICLE 28
ASSIGNMENT

This Contract shall not be transferred, assigned or delegated to any other individual, firm, institution, organization or government agency by either Party without the prior written consent of the other Party, except for assignments or delegations made by either Party to its parent company, a subsidiary of either Party or its parent company, or a division. Consent to assignment or delegation by either Party shall not be unreasonably withheld. Any attempted assignment or delegation, without such consent, shall be void and without effect. Any permitted assignment or delegation shall not act to release a Party from its obligations under this Contract unless the consent to assignment or delegation from the other Party specifically provides for such release.

ARTICLE 29
ORDER OF PRECEDENCE

In the event of any conflict among the various portions of this Contract, the following order of precedence shall prevail:

Articles 1 through 32
Exhibit A - "Statement of Work"
All other Exhibits to this Contract.

ARTICLE 30
ENTIRE AGREEMENT

This Contract constitutes the entire agreement and understanding between the Parties. No other promises or representations, either verbal or written, with the exception of duly executed subsequent written modifications to the Contract shall have any force or effect in regard to the contractual obligations of the Parties herein.

ARTICLE 31
EFFECTIVE DATE OF CONTRACT

The effective date of this Contract is 5 April 1996.

ARTICLE 32
EXECUTION OF THE CONTRACT

IN WITNESS WHEREOF, the Parties hereto have executed this Contract as of the day and year first above written:

For Customer:

EchoStar Space
Corporation

/S/ CHARLES ERGEN

By: Charles Ergen
Title: Chairman and C.E.O
Date: 5 April 1996

For Contractor:

Lockheed Martin Commercial Launch
Services, Inc.

/S/ MICHAEL R. WASH

By: Michael R. Wash
Title: President
Date: 5 April 1996

THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF ECHOSTAR COMMUNICATIONS CORPORATION AND SUBSIDIARIES FOR THE SIX MONTHS ENDED JUNE 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THOSE FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

6-MOS	
	DEC-31-1997
	JAN-01-1997
	JUN-30-1997
	1
	182,852
	4,952
	31,309
	1,834
	63,043
	359,228
	788,493
	60,256
	1,534,480
275,446	
	1,298,845
19,001	
	0
	416
	(72,285)
1,534,480	
	171,567
	172,845
	76,285
	260,462
	38,994
	2,214
	42,043
	(126,611)
	44
(126,655)	
	0
	0
	0
	(126,655)
	(3.08)
	(3.08)

INCLUDES SALES OF PROGRAMMING.
INCLUDES COSTS OF PROGRAMMING.
NET OF AMOUNTS CAPITALIZED.